7. BUSINESS OVERVIEW

7.1 Overview

We are a fast-growing manufacturer and distributor of high-quality nitrile examination gloves. We are based in Malaysia but produce gloves for the global market, with particularly strong customer relationships in the United States. Our gloves meet and exceed international quality standards including the minimum acceptance rate required for distribution in major glove markets around the world, and we focus on innovation and development throughout our production and other business processes.

Our nitrile examination gloves can be used for a variety of applications, including in the medical, food safety and industrial sectors. Our customers are in medical and non-medical industries, and our end-users include hospitals, clinics, laboratories, nursing homes, food industry businesses and industrial workers, as well as frontline workers in a wide range of other industries who are using disposable examination gloves due to increased hygiene requirements in the wake of the COVID-19 pandemic. We sell all of our products under third-party labels, where we have been engaged as an OEM by our customers. We have not historically sold our gloves under our own brand names because, as an OEM, we avoid sales channel conflicts with our customers and instead focus on our production capacity to maximise our glove supply to our existing customers.

We currently operate one manufacturing facility in Malaysia and as at 31 December 2020 had 32 production lines with a total annual installed capacity of 8.2 billion gloves. As at 31 January 2021, we completed the new expansion of our manufacturing facility, increasing our production lines to 34 and our total annual installed capacity to 11.6 billion gloves. We intend to increase our total annual installed capacity to 19.5 billion gloves by the end of 2023, with a total of 54 production lines. In 2020, our market share of the nitrile glove market in Malaysia was approximately 5% by volume and 5% by value of sales.

We place significant emphasis on product quality and manufacturing standards. All of our gloves comply with the relevant international quality standards based on the gloves' type and purpose. Our products and quality management system are accredited by accreditation bodies in many countries. See Section 7.28 of this Prospectus for more details of our accreditations.

Our customers are primarily located in North America, Asia and Australia. Subject to developments relating to the COVID-19 pandemic, we seek to diversify our customer base through expansion of our marketing efforts in Europe and China. See Section 7.9 of this Prospectus for more details on the geographical breakdown of our sales.

Our main customers are medical device distributors, and our largest customers are Halyard Group and Medline Group. In recent years, we have focused on growing our existing relationships with Halyard Group and Medline Group and their predecessor entities, and we believe that we have become trusted suppliers to these entities for nitrile examination gloves, in large part because of the consistent quality of our gloves as well as our continual focus on the full spectrum of customer service through our broad key account management approach. See Section 7.10.1 of this Prospectus for more details about our customers.

From FYE 31 December 2018 to FYE 31 December 2020, our revenue increased by a CAGR of 109.7% from RM277.0 million to RM1,218.3 million.

7.2 Competitive strengths

We believe that we benefit from the following competitive strengths:

7.2.1 Strong fundamental industry growth drivers which we can benefit from through our planned capacity expansion

We operate in an industry with strong fundamental growth drivers, and we believe that our planned capacity expansion will enable us to benefit from this growth. Global demand for disposable examination gloves has experienced steady growth over the past two decades, with the total global export value of rubber gloves (including nitrile and natural rubber gloves) expanding by a CAGR of 9.9% between 2000 and 2020, according to Vital Factor. The sustained long-term drivers of this growth include:

- increased hygiene awareness driven by general economic development and outbreaks of virulent disease such as H1N1 and the COVID-19 pandemic, and resulting increases in spending by governments and businesses on healthcare as well as more stringent health regulations and health standards in both medical and non-medical industries;

- improving living standards and better access to healthcare, in particular in developing countries;

- a growing global population, in particular in developing countries; and

- an ageing global population, in particular in developed countries including the United States, Europe and Japan, which will require increased health care services.

We believe that these growth drivers are fundamental to the long-term development of the examination glove industry and make the industry resilient to short-term fluctuations in Malaysian, regional and global economic cycles.

In addition, there is currently a wide gap in glove consumption levels between developing markets and developed markets, and we believe that this gap provides the industry with a significant opportunity for growth. According to Vital Factor, the two most populous countries on earth, China and India, had a per-capita examination glove consumption of only 26 and two gloves in 2019, respectively, compared to 281 gloves per capita in the United States. Illustratively, based on the populations of China and India of approximately 1,398 million and 1,366 million people, respectively at the end of 2019 and assuming an increase in examination glove consumption in China and India even to 25% or 50% of the levels in the United States, that would imply an increase in demand in these two countries alone of between 155 billion and 349 billion examination gloves, which would equal approximately between 60% and 134% of global export volumes in 2019.

Furthermore, global health threats and pandemics such as COVID-19, the H1N1 virus, bird flu and Ebola have become increasingly frequent in recent decades, and we believe that they are likely to occur at a faster rate, driven by globalisation, growing ageing populations, urbanisation and increased global connectivity through the prevalence of air travel and better rail and road access. We believe that these types of health crises will continue to drive improvements in health care standards globally and sustain increases in the global demand for gloves.

7.2.2 Strong demand in the wake of the COVID-19 pandemic and higher hygiene standards globally

We expect the continuing impact of the COVID-19 pandemic to drive global demand for gloves and global glove production volumes for the foreseeable future. According to Vital Factor, glove production globally is expected to grow at a CAGR of 20% from 2020 to 2023, from 327 billion gloves in 2020 to 571 billion gloves in 2023. We expect that both supply and demand will remain above pre-COVID-19 levels after the pandemic, as global health standards and consumer behaviour evolve.

According to Vital Factor, in 2020, total global demand for gloves exceeded global production output by 120%, with total global demand for 718 billion gloves and global production output of 327 billion gloves. We expect that the unmet total global demand will support the growth in global production output of gloves for the next one to two years, with global production volumes only fulfilling global demand in 2023. The global supply shortage of gloves contributed to an increase in the average selling price of gloves in Malaysia by approximately 176% between January and December 2020. The blended average selling price of our gloves increased by approximately 187.3% between June 2020 and December 2020, reaching USD77.14 per thousand gloves as at the end of December 2020, compared to a blended average of USD21.84 per thousand gloves over the period from June through December 2019. See Section 12.2.2(i) of this Prospectus for more details on the blended average selling price of our gloves. We expect glove prices to remain elevated above pre-COVID-19 levels through 2021, at least.

Past epidemics and pandemics have shown that glove consumption surges during a health crisis and then tends to remain above pre-crisis levels even after the crisis abates. For example, Malaysia's glove export volumes spiked during the outbreak of SARS in 2003, H1N1 in 2009 and bird flu in 2017, and then experienced only a slight decrease before continuing their pattern of growth. See Section 8 of this Prospectus for more details of Malaysia's glove exports.

In the short term, we expect the COVID-19 pandemic to continue to be a global health issue through 2022, even with vaccines becoming available. We expect that the production, distribution and administration of vaccines will take at least one or two years before widespread levels of immunity can be achieved. Even with widespread distribution of vaccines, gloves will still be required for tasks such as COVID-19 testing and administering the vaccines.

In the longer term, we believe that the COVID-19 pandemic will be a catalyst for sustained increased glove use and consumption in non-medical industries (such as close-contact businesses like hotels, airlines, food & beverages ("**F&B**"), and personal care and beauty) due to increased hygiene awareness and hygiene standards. We believe that the pandemic has caused a structural change in industry and consumer behaviour in the way that people go about their daily lives, in so far as glove use becomes habit-forming and will become the norm in sectors like F&B, retail and airlines, even in the post-COVID-19 era. Similarly, governments and public health authorities around the world are setting up pandemic warehouses and emergency stocks of equipment, including gloves, as part of their efforts to prepare for future pandemics. For example, the United States - the world's largest glove market - has introduced legislation to bolster its Strategic National Stockpile of medical supplies and other countries, including the UK and Singapore, have taken steps to improve their medical supply stockpiles to be better equipped for future pandemics.

7.2.3 Global reach across developed, developing and emerging markets through strong relationships with OEM customers and suppliers

Our sales and distribution capabilities have a global reach covering the United States, Europe and Asia, with a strong base of major customers in the United States. As at the LPD, we serve over 35 customers across four continents. We sell our gloves, unbranded, to our customers who then distribute our gloves, under their own brand names or otherwise, across the world. This approach provides us with global reach, covering developed markets like the United States as well as developing and emerging markets. Our products meet the requisite application standards and regulatory requirements and are certified to allow for sales into most major glove markets in the world.

We have a relentless focus on our customers and always seek to build strategic business partnerships with them. We act as an OEM for our customers and aim to be a trusted integral part of their supply chain and to support the growth and ambitions of their business. This focus has enabled us to grow our sales to our five largest customers by a CAGR of 128.5% from RM196.4 million for FYE 31 December 2018 to RM1,025.9 million for FYE 31 December 2020. We have also established strong, long-term relationships with strategic customers in the United States, the world's largest and most important glove market, with our North America revenue amounting to RM398.3 million for FYE 31 December 2019 and RM984.0 million for FYE 31 December 2020. Our North America revenue grew by 80% between FYE 31 December 2018 and FYE 31 December 2019 and 147.1% between FYE 31 December 2019 and FYE 31 December 2020.

We support our customers with our key account management teams, which focus on building integrated partnerships with them, both through sales as well as through multilevel functional dialogue. Our experienced key account managers understand both the commercial aspects of our customer relationships and our customers' product needs, which enables us to meet our customers' technical requirements and fulfil their business needs. We are in constant communication with our customers about their procurement requirements and we structure our production capabilities and capacity expansion to support their businesses. Our innovation efforts and development of new products are also geared towards responding to feedback from our customers and the continuously evolving requirements of the market. See Section 7.10.1 of this Prospectus for more details about our major customers.

We also have strong relationships with our suppliers. We select our suppliers based on a stringent evaluation process and communicate with them regularly through key personnel in our organisation, including through annual strategy meetings with our Key Senior Management and quarterly meetings with our mid-level management. These efforts help to manage our supply chain to mitigate potential risks in supply, balance costs, leverage services and improve the performance of our supply chain. We have built long-term partnerships with vendors, some of whose business relationship with Central Medicare predate HARPS, as well as with their key team members. We believe that close cooperation with our major suppliers allows us to benefit from their product knowledge and develop new products that add value. One product that is an example of this approach is our Malachite gloves, which we developed in collaboration with one of our major suppliers. We also believe that long-term relationships with suppliers are key to our success, as they allow us better access to raw materials and technology when such resources are scarce, which helps to bolster the sustainability of our business.

7.2.4 High-quality product portfolio focused on the attractive nitrile segment

Product quality is the primary focus of our Group. Our products comply with key international standards and requirements, including those of the ASTM, the FDA in the United States, the PMDA in Japan, the NMPA in China, the Medical Device Authority in Malaysia, Health Canada and European Union regulations. Our quality management systems are certified under the MDSAP and we have received ISO 9001:2015 and ISO 13485:2016 certifications for our design, development and manufacturing processes. For our quality control system, we have adopted the acceptable quality limit ("**AQL**") system of quality measurement in accordance with ISO 2859-1:1999 and we have designed our system with multilevel inspection plans. To ensure that the quality of our products always meets our AQL, we have, as part of our quality management and quality control systems, implemented internal controls that are stricter than the applicable international standards, namely ASTM D6319:2019, EN455:2000, JIS T9115:2000 and ISO 11193-1:2008. This means that the quality of our gloves exceeds the minimum acceptance rate outlined by these standards. For example, we have a 1.5 AQL (meaning our defect rate is less than 1.5% of our total production quantity) which is significantly below the FDA minimum benchmark for examination gloves of a 2.5 AQL. See Section 7.5 of this Prospectus for more details on our products and certifications.

We specialise in the production of nitrile gloves. Nitrile gloves have several advantages compared to natural rubber gloves, including not triggering allergic reactions to proteins, better resistance to oils, solvents and chemicals, more opportunities for product innovation through customisation of the nitrile compounding formula and better tensile strength for the same thickness, which enables us to make lighter-weight gloves without compromising tensile strength. Nitrile gloves can be designed with specific characteristics, such as high permeation resistance to chemotherapy chemicals, high resistance to fentanyl and low dermatitis potential for users who are sensitive to irritation from chemical additives. Because of these characteristics, the growth in demand for nitrile gloves has, according to Vital Factor, significantly outpaced the growth in demand for other types of examination gloves such as natural rubber over the last ten years. In 2020, nitrile gloves accounted for approximately two-thirds of total glove production in Malaysia, compared to only one-third in 2010, and we expect global demand for nitrile gloves to continue to grow.

7.2.5 Innovation culture, driven by R&D and talent development

Innovation is a core element of our corporate culture and a key pillar of our business strategy, and we believe that it is necessary for our business competitiveness and sustainability. We seek to foster innovation throughout our Company, from the R&D of new products to our processes and operational facility design. We also incorporate innovation in our organisational talent management system. We have a strong focus on R&D and have always considered product innovation to be critical to our long-term success.

For product innovation, we focus on improving the ultimate objective of hand barrier protection as well as adding and improving various functional characteristics of our gloves. We have developed and produce multiple types of gloves including, among others, eco-friendly gloves, gloves with high permeation resistance to chemotherapy chemicals, gloves with resistance to fentanyl and gloves with low dermatitis potential. Our innovation team constantly searches new material science research, both to meet market demand for new products as well as to achieve functional improvements in hand barrier protection.

We hold various intellectual property for our products. As at the LPD, we have a trademark for our eco-friendly gloves, Malachite, for which we have a pending industrial design application and are working on patents in relation to an operations technology solution and material innovation. We are currently developing and planning to scale up production of a new medical glove that complies with more stringent medical standards by 2022. In addition to expanding our product portfolio, we have also improved the capabilities of our existing products over time, such as by enhancing the tensile strength of our gloves through a combination of advancements that have enabled us to produce gloves with the same tensile strength while using less material, thereby reducing manufacturing and shipping costs and the environmental impact of the gloves. As a result, we have decreased the thickness and weight of our gloves over time, from 3.5 grams in 2015 to 2.7 grams in 2020, without compromising product quality.

We also support our operational readiness with an innovative manufacturing facility design. For example, we have incorporated numerous different considerations into the design of our dipping facility to ensure the right balance between the cost of manufacturing and the cost of quality, as detailed in Section 7.2.6 below. We believe that our ability to strike this balance demonstrates our strong fundamental understanding of dipping technology and of engineering design. Our dipping facility can also produce both nitrile and natural rubber gloves which provides us with operational flexibility to diversify our raw material supply in the case of critical shortages of specific ingredients for nitrile gloves. In addition, our design considerations include the allocation of sufficient space to house the future industrial automation of our facilities as part of our facility upgrade innovation plan. As part of this plan, we will incorporate new technologies and processes into our manufacturing facility over time, primarily to increase the automation ratio in our manufacturing processes which reduces our reliance on manual labour, improves the reliability and efficiency of our production lines and supports more consistent product quality.

We understand the crucial importance of having the right talent pool to deliver our product innovation and capacity expansion. We focus on acquiring the right talent and developing the capabilities of our current employees. We seek to ensure our talent is well-managed and our succession is properly planned. We continually review our learning and talent development programmes to ensure that our team can drive our innovation processes and manage our Company's growth while also progressing along their envisioned career path.

7.2.6 New and modern production lines that we design in-house with an emphasis on quality and improving production efficiency

We operate our modern manufacturing facility with new and modern production lines that have enabled us to consistently deliver high product quality while improving our production capacity and efficiency over time. With our commitment to our customers' requirements in mind, we have grown our production output by almost ten times over the past five years, from under 750 million gloves in 2016 to over 7.3 billion gloves in 2020, which demonstrates our capacity of supplying at scale. This scale-to-supply approach enables us to compete with other manufacturers in the market and to improve our per-unit costs.

We have achieved our output growth in part through capacity expansion but also through significant improvements in efficiency. We are located in Malaysia - which exported approximately 65% of the world's gloves by volume in 2020 - enabling us to benefit from local supply chains, talent and expertise. We have improved our overall production efficiencies through both the introduction of new production lines and the retrofitting of existing production lines. We design our production lines in-house, enabling us to use our past operational experience to enhance the customisation of our products and production technologies. For example, we have incorporated numerous different considerations into the design of our dipping facility to ensure the right balance between the cost of manufacturing and the cost of quality and so address the demands of our customers. We have automated various specific production processes in our production lines over time, decreasing the amount of material required for our thinnest gloves from 3.5 grams in 2015 to 2.7 grams in 2020, installing a more fuel-efficient energy system for palm kernel shells in 2016, improving our data collection and analysis to better manage our production lines in 2016, installing a liquefied natural gas supply facility in 2017 and improving our heat consumption efficiency per glove over time. We continuously improve the efficiency of all our production lines without compromising product quality. In part due to these initiatives, as at 31 December 2020, our newest production lines in Block F produced 45,000 gloves per production line per hour. Further, we have increased our utilisation rate from approximately 78.5% for FYE 31 December 2018 to approximately 90.3% for FYE 31 December 2020. See Section 7.6 of this Prospectus for more details on the growth of our production capacity and efficiency over time. See Section 7.7 of this Prospectus for more details on our production output and efficiency over time for each production block.

We also comply with Good Manufacturing Practices ("**GMP**") and use the 5S workplace organisation method, a system of organising facilities and keeping them clean, to help us meet the requirements for medical devices manufacturing facilities.

In addition, we have achieved our increased level of production while also decreasing the comparative level of manpower involved, from an average of 5.6 workers required per one million gloves manufactured for FYE 31 December 2018 to an average of 3.8 workers required per million gloves for FYE 31 December 2020. Although we targeted a worker-to-production output ratio of 2.8 in 2020, we did not meet this KPI in 2020 mainly because of increased worker recruitment, both in preparation for the commencement of production in Block F as well as to mitigate the risk of labour shortage. See Section 5.2.6 of this Prospectus for more details on the risk of labour shortage. See Section 7.15 of this Prospectus for more details on how we use our innovation efforts to improve our production and operations.

As at the LPD, we only operate a single manufacturing facility in Teluk Intan, Perak, Malaysia, and we focus on producing only nitrile gloves so as to better improve our manufacturing technology for these gloves. In addition, our future expansion plans in 2023 include development onto the 19.5 acres of land that we own which is adjacent to our current manufacturing facility. We believe this will provide a strong foundation for future expansion that will be able to match our current quality control and manufacturing practices. See Section 7.8 of this Prospectus for more details on our quality management system.

From the time of our acquisitions of Central Medicare and New Era Medicare in 2015 up to 31 December 2020, we have increased our total annual installed capacity by 7.1 billion gloves to 8.2 billion gloves by investing in and building new production lines and retrofitting our existing production lines. As a result, 86.6% of our total annual installed capacity as at 31 December 2020 was capacity that we have installed over the last four years using the technology available to us at the time. In contrast, according to Vital Factor, the "top four Malaysian manufacturers" (Top Glove Corporation Bhd, Hartalega Holdings Bhd, Kossan Rubber Industries Bhd and Supermax Corporation Berhad) grew their annual installed capacity from a combined 108.0 billion gloves per annum in 2016 to a combined 189.2 billion gloves per annum in 2020. This represents a combined increase in annual installed capacity of 81.2 billion gloves per annum between 2016 and 2020, representing only 43% of their total installed capacity in 2020. As a company with a very large proportion of our total installed capacity being only recently installed, we benefit from newer production lines as well as customised hardware and engineering improvements that enable us to provide better product features, operate more efficiently and reduce maintenance costs and time.

7.2.7 Experienced and operationally engaged management team, capable of delivering strong growth and results

Our Executive Directors, Key Senior Management and key mid-level management have extensive industry knowledge, experience and operational expertise, with our Key Senior Management having an average of over 15 years of experience in the glove and polymer industry. Together, our Key Senior Management have extensive experience in the development, production and distribution of examination gloves and the financial and strategic aspects of our business. We have a history of strong revenue and margin growth. Our revenue grew by a CAGR of 109.7% from FYE 31 December 2018 to FYE 31 December 2020 while our EBITDA margins also grew, from 14.3% for FYE 31 December 2018 to 55.8% for FYE 31 December 2020. Despite being relatively small in the size of our operations compared to other players in the industry, our EBITDA margins are comparable to those of two of the four largest industry players in Malaysia. We believe that the primary drivers of our margin growth have been the expansion of our production capacity, the increase in production efficiency and improvements in product quality, all of which were strategic initiatives that our management team drove. As the primary drivers of our margin growth, our management has focused on the expansion of our production capacity, the increase in our production efficiency and continual improvements in the quality of our products. In addition, we believe that our management team has the experience and industry knowledge to start production of natural rubber gloves or gloves from a newly created material if our Company were to make that strategic decision. Our management team has an unrelenting focus on operational excellence, including operational management, glove innovation, quality assurance, production processes, efficiency optimisation, sales and marketing, supply chain and vendor management. Our management team also provides valuable leadership in our pursuit of our growth plans.

See Section 9.3 of this Prospectus for more details on our Key Senior Management.

7.3 Future plans and strategies

We base our strategic initiatives on four key corporate goals: operational growth and excellence, innovation, human capital development and commercial and supply chain excellence. We believe that these can leverage our competitive strengths to achieve our long-term goals. As such, we intend to pursue the following strategic initiatives:

7.3.1 Expand capacity to meet increased demand and benefit from economies of scale

We believe that global demand for examination gloves will continue to grow and we intend to pursue an aggressive capacity expansion in order to take advantage of this growth. We have plans in place to expand our total annual installed capacity from 11.6 billion gloves and 34 production lines in 2021 to 19.5 billion gloves and 54 production lines by the end of 2023. We intend to expand our operations in 2023 onto the 19.5 acres of land that we own adjacent to our current manufacturing facility. The current maximum capacities of our electricity, gas and water supply will also be enough to cater for these expansions through to 2023. We have planned our expansion in response to demand from our customers and we expect that our current customers will take up most of the glove production that we plan to add over the next several years. We expect that our future expansion will allow us to increase our margins by enabling us to benefit from greater economies of scale and to increase the impact of improvements to our operational efficiencies and capacity utilisation, such as by adding more efficient production lines. See Section 7.13 of this Prospectus for more details on our expansion plans.

With our focus on capacity expansion and continuous improvement across our manufacturing facility and production lines, we believe that we are well-positioned to take advantage of the expected growth in global demand for examination gloves.

7.3.2 Pursue operational excellence through continued improvement initiatives

We continually aim to improve the operational efficiencies of our manufacturing processes and the consistency of the quality of our products. We strive for operational excellence by focusing on the following areas:

- readiness of our existing manufacturing facility;
- investments in additional capacity;
- improvements to quality control, management of regulatory issues, operational safety and our environmental impact;
- development of products and manufacturing processes;
- asset management;
- risk management; and
- increased employee involvement and accountability, including through more effective training.

We view our automation initiatives specifically as both improving our manufacturing capabilities and helping to mitigate against labour shortages. In addition to continuing our efforts in all of these areas, we are also working on other improvements such as researching wastewater treatment technologies that would support better environmental care, improve compliance with environmental requirements and help us fulfil our corporate commitment to environmental stewardship. See Section 7.24.3 of this Prospectus for more details on our environmental stewardship efforts.

7.3.3 Focus on evolutionary innovation to deliver new, value-adding products

We seek to continually focus on material innovation and the application of new materials and formulation science to our new and existing products. We also plan to invest in operational innovation, process optimisation and automation. For example, we have five cross-disciplinary task forces that focus on searching for solutions in key areas, including water, formers, quality defects, downtime response and potential areas of automation. As at 31 December 2020, we had 29 personnel from various functions across our Group whose primary responsibility involved delivering innovation across the various elements of our business. This innovation team stays informed of new developments in the industry and uses feedback from our customers to ensure our products address the needs of the market. We develop gloves with specialised functions to meet application needs.

We are currently developing gloves with even higher permeation resistance to chemotherapy chemicals, as well as gloves with other improved applications, including a new medical glove that complies with more stringent medical standards which we expect to launch by 2022. Our innovation team has been working on the development of this product since 2019 and also continually explores the development of new products for our customers.

We also intend to strengthen our ability to innovate by improving our Intellectual Property ("**IP**") protection. This includes providing additional training to our IP team on IP management, literature research, IP screening, invention claim formation, freedom to operate, patent filing and patent defence. Where appropriate, we will outsource these functions.

7.3.4 Develop our human capital

Our human capital is our most valuable resource in supporting the growth of our business. Due to the detailed nature of our industry, we believe that our mid-level management is key to ensuring effective task execution throughout our whole organisation and especially in achieving our operational efficiency and quality goals.

We seek to foster an innovative culture and grow our Company. We endeavour to attract, retain, nurture and develop our talent through various initiatives and we strategically place personnel in the area where we believe they will contribute effectively. Our human resources ("**HR**") department also focuses on compensation and benefits and continuously improves our performance management system to set goals for personnel and properly align the expectations of our organisation and our employees. We currently attract talent through an industrial placement programme for undergraduates and we intend to expand such efforts in 2021 by increasing our partnerships with educational institutions, including through annual sponsorship and academic awards. We recruit talent through a competency-based interview system. We analyse the training needs of our personnel and support them with multiple types of training as well as with a people development plan that specifies both hard and soft skills. We also engage in succession planning to minimise operational disruptions by ensuring personnel are prepared to assume key roles when those become available. See Section 7.19 of this Prospectus for more details on our workforce policies and training programmes.

7.3.5 Focus on commercial and supply chain excellence

We plan to continue to improve our commercial performance and our supply chain through various areas of focus, including proactive key account management and partnership development with our customers, strategic marketing and branding management, and an efficient integrated supply chain system. As part of this effort, we will continue to prioritise our relationships with vendors, especially in ensuring that we stay in proper communication with them. This is in keeping with our strategy of purposefully building long-term partnerships with vendors and their key team members because we believe that close cooperation with our major suppliers allows us to benefit from their product knowledge and develop new products that add value. To that end, we intend to collaborate on projects with our suppliers as we did with our Malachite gloves to come up with further innovative products in the future. We also intend to strengthen our market intelligence to better track market trends, especially for petrochemicals, and to put in place a new vendor management system that will improve our service level and better balance costs and mitigate supply chain risk.

7.3.6 Expand into new markets and distribution channels

Subject to the exigencies of the COVID-19 pandemic and our servicing of increased demand from our existing customers, we aim to diversify our customer base and the distribution of our gloves by increasing our sales to China and Europe. Subject to available capacity, our products are ready and certified for distribution into Europe and China. We believe that there is significant growth potential for gloves in China in particular since current per-capita annual glove consumption in China is low (compared to the United States). Meanwhile, Europe already has a high awareness of the advantages and different applications of gloves as evidenced by high per capita glove consumption. Within Europe, we specifically intend to focus on growing our distribution in the Nordic countries, because we have already identified a strong potential distribution partner located there and because we expect the high environmental awareness in the region to lead to higher demand for our eco-friendly gloves. For FYE 31 December 2020, our sales volumes were split between North America (77.4%), Asia (19.6%), Australia (2.6%) and Europe (0.4%).

We can sell our products in these markets either through our existing distributors and partners or through similar distribution arrangements with others that would give us access to large markets with relatively little additional investment. We are also identifying and building relationships with new distributors and partners, such as our potential Nordic distribution partner mentioned above. We believe that we will be able to execute our go-to-market plans in new markets quickly once we have identified the right partners for distribution, marketing, logistics and other local activities and once we can produce the requisite quantities of gloves to address the growing demand in these markets. In both new and existing markets, we intend to help establish our presence by participating in international trade exhibitions and other similar marketing opportunities as well as through targeted marketing.

We are also considering using new distribution channels in addition to our traditional channels, including opening online channels and distributing our own brands. We expect that distributing our own brands directly to end customers would strengthen our margins but we are still building the requisite marketing and branding team and distribution channels to sell our own-brands of products. If we do sell our own brands, we will only do so in markets where we are not in competition with our existing customers, such as China, and only after we are able to satisfy the growing demand for gloves from our existing customers.

7. BUSINESS OVERVIEW *(Cont'd)*

7.4 Our key milestones

The following table highlights our key milestones:

Year	Key milestone
2015	Incorporation of HARPS Global Industry Sdn Bhd (now known as HARPS Holdings Bhd) by our founder, Haziq Bin Zairel Oh
	HARPS acquired Central Medicare, which was founded in 2004 and manufactures nitrile examination gloves, and Encompass Medical Supplies Sdn Bhd (now known as New Era Medicare) which was founded in 2012
	At the time of acquisition, Central Medicare operated a single manufacturing block, Block A, with a total of six production lines and a total annual installed capacity of 1.1 billion gloves
2017	Fully commissioned Block B with eight production lines and an annual installed capacity of 1.3 billion gloves, which together with retrofitting to our existing lines resulted in our manufacturing facility having a total of 14 production lines and a total annual installed capacity of 2.5 billion gloves
2018	Received certification from the FDA for the marketing and distribution of gloves with high permeation resistance to chemotherapy chemicals (tested for use with 36 different chemotherapy drugs and known as "chemo gloves") in the United States
	Launched the marketing of our eco-friendly glove, Malachite, for which we use a LCA approach to calculate the carbon footprint of its manufacturing process. We began the development of Malachite in 2016
	Commenced manufacturing at Block E with seven production lines and an annual installed capacity of 0.6 billion gloves, which together with retrofitting to our existing lines resulted in our manufacturing facility having a total of 21 production lines and a total annual installed capacity of 3.8 billion gloves
2019	Completed an environmental assessment of our Malachite gloves
	Received certification from the FDA for marketing and distribution of 3-in-1 gloves (tested for use with 36 different chemotherapy drugs, resistant to fentanyl and with low dermatitis potential) in the United States
	Completed commissioning of Block E with 10 production lines and an annual installed capacity of 3.5 billion gloves, which together with retrofitting to our existing lines resulted in our manufacturing facility having a total of 24 production lines and a total annual installed capacity of just under 7.0 billion gloves
2020	Launched our Learning and Development Programme to facilitate human capital development
	Commenced manufacturing at Block F with eight operational production lines in operation by the end of 2020, resulting in our manufacturing facility having a total of 32 production lines and a total annual installed capacity of 8.2 billion gloves

Year	Key milestone
2021	Obtained ISO 14001 certification of our environmental management system
	Completed commissioning in January 2021 of Block F with 10 production lines and an annual installed production capacity of 3.9 billion gloves, resulting in our manufacturing facility having a total of 34 production lines and a total annual installed capacity of 11.6 billion gloves

7.5 Our products

We are committed to providing quality solutions for hand barrier protection. To that end, we produce a wide range of powder-free, non-sterile nitrile examination gloves for the medical industry and non-medical businesses. Powder-free gloves do not use corn starch powder. Instead, they are dipped in diluted chlorine to reduce the surface friction of the gloves which eases the process of donning the gloves. Avoiding corn starch powder is in line with the approach of the FDA and other regulators who ban corn starch in medical gloves. Non-sterile gloves are mainly used for examination and other non-surgical procedures. We produce various different types of gloves, including chemotherapy gloves, low-dermatitis gloves, and eco-friendly gloves, and we are currently developing new products with new features to meet more exacting requirements compared to our existing products. We produce substantially all of our gloves in response to customer purchase orders and can customise our gloves upon customer request to a wide range of specifications. We generally produce standardised gloves for smaller and non-medical customers since they do not require customised specifications and we can produce gloves for multiple customers at once due to our operational flexibility. All of our gloves comply with the relevant international quality standards that govern based on the gloves' type and purpose, and we send our gloves to accreditation bodies in many countries for product accreditation. As part of our product diversification and profit optimisation initiatives, we intend to develop nitrile gloves that meet higher-level medical requirements than our existing products. All of our gloves are made from nitrile latex, a type of synthetic latex, and are non-sterile, ambidextrous and for single use. Nitrile latex is protein-free, which allows nitrile gloves to be used as an alternative to natural rubber gloves for users who are allergic or sensitive to proteins found in natural rubber gloves. Compared to natural rubber gloves, nitrile gloves are capable of better resistance to oils, solvents and chemicals, and also require less thickness to achieve similar tensile strength. According to Vital Factor, production of nitrile gloves has grown over the last ten years, from approximately one third of all gloves produced in Malaysia in 2010 to approximately two thirds in 2020. Further, nitrile as a raw material is more predictable in supply than natural rubber, as it is not dependent on environmental factors such as weather and seasons.

We offer nitrile examination gloves with various characteristics, features, specifications, comfort levels and price points to meet a broad range of commercial requirements and market segments. Our nitrile examination gloves are used mainly for medical and food safety purposes but can also be used for industrial and other applications that involve close contact or a need for hand barrier protection, including as a result of safety precautions related to the COVID-19 pandemic. Approximately 65-70% of the gloves that we sell are lightweight, approximately 30-35% are medium weight and approximately 1% are heavyweight gloves for industrial use. We serve over 35 customers across North America, Asia and Australia. Most of our customers are large providers of medical equipment that further distribute our products to end-users in many countries around the world.

7. BUSINESS OVERVIEW *(Cont'd)*

We broadly categorise our gloves according to their key features and characteristics, as summarised in the following table:

Product type	Relevant standards	Key characteristics and features
		Our nitrile examination gloves provide users with hand barrier protection in areas of potential risks associated with blood-borne pathogens and other substances or biohazards.
Medical	ASTM D6319-19 ASTM D6978-05 Certified by Underwriters Laboratories as meeting the relevant requirements under National Fire Protection Association (NFPA) 1999, Standard on Protective Clothing for Emergency Medical Operations, 2018 Edition	We offer examination gloves with the following specific features: • **Chemotherapy drug permeation resistance**. These gloves meet the specification of ASTM D6319-19 and have been tested as per ASTM D6978-05 and certified by the FDA for marketing and distribution in the United States as "chemo gloves" for use by medical practitioners during the chemotherapy process. • **Low dermatitis potential**. These gloves are designed for users who are sensitive to irritation from chemical additives. The gloves minimise the risk of Type IV chemical allergy and have been tested by the Modified Draize-95 Test, which is a recognised clinical trial that is based on FDA guidelines. • **Certified for use as single-use emergency medical examination gloves**. These are certified by Underwriters Laboratories as meeting the relevant requirements of the National Fire Protection Association (NFPA) 1999, Standard on Protective Clothing for Emergency Medical Operations, 2018 Edition. Key features of these gloves include high puncture resistance and ultimate elongation and tensile strength after isopropanol immersion.
Food safety	FDA 21 CFR 177.2600 Examined according to methods for testing plastics for use with foodstuffs under German law and European Parliament regulations	• **Certified for food safety and food contact purposes**. These gloves have passed multiple tests for food contact in respective countries and regions, including meeting the FDA 21 CFR 177.2600 standard in the United States, food sanitation and nursing requirements in Japan and the standard for chemical residue from materials in contact with food in Europe.

Product type	Relevant standards	Key characteristics and features
		• **High dexterity**. These gloves are ultra-thin and have tensile and elongation properties comparable to medical gloves.
Industrial	BS EN 374	• **Chemical resistance**. These gloves comply with BS EN 374 requirements for protective gloves against dangerous chemicals and micro-organisms. • **Sturdiness**. These gloves have sturdier properties than medical gloves. • **High thickness**. These gloves are thicker than ordinary gloves, to ensure high barrier protection and high durability for extended usage in an industrial setting. • **Textured surface**. These gloves have a textured surface to provide a firm grip when working with slippery substances such as grease, oil or lubricants.
Eco-friendly	ISO 14040 ISO 14044	• **Eco-friendly**. These gloves are the first nitrile gloves in the market to be certified with a reduced carbon footprint based on a cradle-to-grave LCA. This enables purchasers to quantify the difference in the carbon footprint of these gloves compared to conventional nitrile gloves, as our Malachite gloves produce approximately 13.9% less carbon dioxide than current generation nitrile gloves and approximately 36.2% less carbon than natural rubber gloves. We designed these gloves in collaboration with one of our suppliers, Synthomer, and began marketing them in 2018. We conducted the LCA in accordance with the requirements of ISO 14040 and ISO 14044.

Our gloves are accredited by and/or meet the standards set by the FDA, the ASTM, European Union regulations, the NMPA in China and Health Canada. In addition, the quality management systems we use in our manufacturing processes are certified under the MDSAP, which is an audit that satisfies the requirements of multiple regulatory jurisdictions. The majority of our products have been certified by the FDA for marketing and distribution in the United States. We are registered as a Foreign Medical Device Manufacturer with the PMDA in Japan, which allows us to sell our gloves into Japan through authorised distributors. In 2020, we registered several of our gloves under Section 5(1) of the MDA with the Medical Device Authority of Malaysia, which allows us to commercially distribute them in Malaysia, although we currently do not have any plans to do so.

7.6 Manufacturing processes

Our integrated manufacturing process involves sourcing raw materials, designing products, manufacturing the products and then distributing the products to customers usually on a FOB basis whereby our customers assume the risks and ownership of our products once they are loaded onto a vessel at the port of departure. We source all of our raw materials from external suppliers, including from both Malaysian and international suppliers. Our primary raw material is nitrile latex, which has accounted for slightly less than half of our total cost of sales over the last three financial years, and which we source from multiple suppliers. We also source various other chemicals for use in our manufacturing processes. See Section 7.12 of this Prospectus for more details on our raw materials and procurement.

We continually seek to adopt the latest manufacturing techniques for all our production lines, to reduce downtime of our production lines and to improve the capabilities of future production blocks so as to produce consistently high-quality gloves at increased yields. We design our production lines in-house and upgrade them over time, incorporating third-party technology when useful. We use modern machinery that is operated by trained and experienced personnel and which is regularly monitored and maintained by qualified experts to ensure that production remains uninterrupted 24/7 and product quality remains consistent. We use quality control measures throughout our manufacturing processes and especially on our production lines, in order to minimise disruption to our production speed and efficiency. We can reconfigure the inputs for all of our production lines to produce gloves of different weights, colours, sizes and thickness, enabling us to meet dynamic customer requirements.

We have made measurable improvements to our efficiency and automation over time, including by increasing the speed of our production lines. We have improved our production efficiency of output per production line such that as at 31 December 2020, our newest production lines produced 45,000 gloves per hour per production line. In addition, we have achieved our increased level of production while also decreasing the comparative level of manpower involved, from an average of 5.6 workers required per one million gloves manufactured in 2018 to an average of 3.8 workers required per million gloves for FYE 31 December 2020. Further, we have increased our utilisation rate from approximately 79% for FYE 31 December 2018 to approximately 90.3% for FYE 31 December 2020. See Section 7.7 of this Prospectus for more details on our production output and efficiency over time for each production block.

The following table sets out our growth in production capacity over the years indicated:

Year	Actual production output (gloves)	Yearly growth of actual production output	No. of lines at end of year	Total hours in the year	Operational employees	Yearly growth of employees
2018	2,985,225,834	88.3%	21	8,760	1,659	71.0%
2019	5,924,005,895	98.4%	24	8,760	1,895	14.2%
2020	7,368,580,416	24.4%	32	8,784	2,600	37.2%

The following table sets out the improvement in production capacity of our existing manufacturing lines following the introduction of new production lines and retrofitting of existing production lines over the years indicated:

	Output (gloves per hour)[1]						
Year	Block A	*% growth*	Block B	*% growth*	Block E	*% growth*	Block F
2018	112,176	*39.3%*	184,134	*83.3%*	44,470	-	-
2019	129,941	*15.8%*	212,721	*15.5%*	333,595	*650.2%*[2]	-
2020	138,740	*6.8%*	267,936	*26.0%*	359,200	*7.7%*	72,988

7. BUSINESS OVERVIEW *(Cont'd)*

Notes:

(1) Based on total number of hours in the respective years (2018: 8,760 hours; 2019: 8,760 hours; 2020: 8,784 hours).

(2) Growth due to increase in operational production lines in Block E from 7 lines in December 2018 to 10 lines in February 2019.

Our manufacturing processes comply with multiple regulatory requirements. Our quality management system complies with the requirements of ISO 9001:2015, ISO 13485:2016, U.S. FDA 21 CFR Part 820 (Current GMP regulations enforced by the FDA) and U.S. FDA 21 CFR Part Single Audit Program (MDSAP) for regulatory purposes. We also comply with any other corresponding sections or regulations regarding recall and advisory of the countries involved in the MDSAP. We comply with the medical device registration requirements of the PMDA in Japan, the NMPA in China, the Medical Device Authority in Malaysia, Health Canada and the relevant regulatory requirements of Europe.

See Section 7.28 of this Prospectus for more details on our accreditations.

The following table shows the key stages of our manufacturing process:

No.	Process	Material used/Equipment and Controls	Function/Purpose
1	Compounding	Nitrile latex, vulcanisation chemicals, mixing tanks	Compounding additives, e.g. zinc oxide, sulphur, accelerators, pigment and water, are homogenised in a tank of nitrile latex and the mixture is left to mature.
2	Former cleaning	Acid, water, alkaline, brushing	The glove formers are cleaned by sequentially going through an acid tank, water rinsing tank, alkaline tank, brushing and a hot water rinse tank.
3	Coagulant dipping	Oven, coagulant	The glove formers are prepared for nitrile latex adhesion and subsequent stripping by being dried in an oven, dipped in coagulant and then dried in another oven.
4	Nitrile dipping	Nitrile latex, oven	The glove formers are dipped into a tank of nitrile liquid and dried in an oven, then dipped and dried again.
5	Pre-leaching and beading	Water, beading	The glove formers pass through a series of water tanks to dissolve any water-soluble residues and chemicals. The glove formers are then exposed to beading chemicals to prevent deterioration of the rubber molecules and strengthen the cuffs of the gloves.
6	Vulcanisation	Oven, water	The glove formers are cured in a vulcanisation oven which changes the chemical structure of the nitrile latex, giving it physical qualities such as elasticity. The glove formers are then cooled in water tanks.
7	Chlorination	Chorine	The glove formers are dipped into chlorination tanks to remove tackiness from the glove surface and reduce surface friction.
8	Soaking and neutralisation	Water	The glove formers are washed and neutralised from chlorine in a water tank and neutralising tank.
9	Post-leaching	Water	The glove formers pass through a series of water tanks to remove any water-soluble residues or chemicals.

No.	Process	Material used/Equipment and Controls	Function/Purpose
10	Silicone coating	Silicone, oven	The glove formers are dipped into a silicone tank and dried in an oven which makes donning the gloves easier.
11	Stripping	Baskets	The gloves are stripped from the glove formers and layered into baskets.
12	Testing and packing	Inspection	The gloves are sampled by our quality assurance team for inspection and testing, and products within specification are packed.

7.7 Manufacturing facility and utilisation rates

We invest in our manufacturing facility and design our production lines in-house to ensure efficient and cost-effective production of our nitrile examination gloves. We currently operate a single manufacturing facility located in Teluk Intan, Perak, Malaysia. As at the LPD, our facility has 34 production lines and a total annual installed capacity of 11.6 billion gloves. We design our production lines in-house which enables us to incorporate knowledge and experience from our operations into the design of future production lines.

The following table sets out the production capacity and utilisation rates of our manufacturing facility for the years indicated:

FYE 31 December	Manufacturing Facility	Block A	Block B	Block E	Block F	Total
2018	**Annual installed capacity[1] (million units)**	1,203.6	2,031.4	566.7	-	3,801.7
	Actual production output[2] (million units)	982.7	1,613.0	389.6	-	2,985.2
	Utilisation rate[3]	81.6%	79.4%	68.7%[4]	-	78.5%
2019	**Annual installed capacity[1] (million units)**	1,242.4	2,263.5	3,462.3	-	6,968.3
	Actual production output[2] (million units)	1,138.3	1,863.4	2,922.3	-	5,924.0
	Utilisation rate[3]	91.6%	82.3%	84.4%	-	85.0%
2020	**Annual installed capacity[1] (million units)**	1,337.3	2,670.3	3,494.4	656.9	8,158.9
	Actual production output[2] (million units)	1,218.7	2,353.5	3,155.2	641.1	7,368.6
	Utilisation rate[3]	91.1%	88.1%	90.3%	97.6%[5]	90.3%

Notes:

(1) Installed capacity represents the aggregate capacity of our production lines as if they were running 24 hours per day for 365 days each year, with no downtime for maintenance or any other reasons.

(2) Our production lines are generally operational 22.5 hours per day for every day of the relevant financial year, with the exception of planned downtime, which is typically between 15 and 18 days per year.

(3) The utilisation rates of our manufacturing blocks are calculated by dividing the total actual production output of the relevant financial year by the installed production capacity for the relevant year.

(4) The first two production lines of Block E became operational on 1 September 2018. By December 2018, seven production lines were operational and by February 2019, all 10 lines were operational.

(5) The first eight lines of Block F were operational by the end of December 2020.

As shown in the prior table, the installed capacity and utilisation rates of our production facilities fluctuate from period to period because, during any particular period, we may install additional capacity that we do not immediately use or because we may carry out work to improve the capacity of existing production lines during a such a period, which involves temporarily taking the production lines offline. Blocks C and D are not included in the table above because they are not manufacturing facilities.

We plan to pursue significant capacity expansion over the next two years by building new facilities with production lines that are faster, more efficient and technologically advanced. Our first expansion as part of that plan was the construction of Block F, which we completed in January 2021 and which increased our total production lines to 34 and our total annual installed capacity to 11.6 billion gloves.

See Section 7.13 and Section 12.2.8(v) of this Prospectus for more details on our expansion plans.

7.8 Quality management system

We believe that consistent product quality is key to our ability to attract and retain customers. One of our core values is reliability, and we believe that our focus on consistent quality is an important differentiating factor between us and our competitors. As we specialise in one product segment, nitrile gloves, we are able to provide consistently high-quality products. Our quality control system implements strict quality standards throughout our manufacturing processes, and we are committed to continuous improvement of our quality control management system. This approach to quality enables us to comply with international standards, meet our customers' requirements, reduce the possibility of product non-conformance and generally produce consistently high-quality products.

Our quality assurance team, which consists of a group of experienced technical members, monitors our manufacturing processes and ensures that sufficient controls are in place to maintain product quality. We organise our quality control process along the three critical stages of the manufacturing process, as follows:

Stage 1: Incoming materials

We subject all vendors to our vendor evaluation system. This includes both initially evaluating the vendor before adding them to our approved vendor list as well as conducting ongoing on-site audits of selected and/or critical vendors to ensure that their quality and supply continue to meet our expectations. We generally conduct these evaluations every one to three years.

Our quality control system covers all incoming materials. We fully inspect and test all critical raw materials, such as nitrile latex and compounding chemicals, to ensure that we only use materials that fully meet our specifications. We also inspect the packaging materials and glove formers for defects and damage before unloading them and, when receiving the goods, we confirm the delivered quantity and the printed details against the agreed-on details that our product stewardship team has provided. We check deliveries of palm kernel shell and wood pellets to ensure the appropriate quantity and moisture level, and we avoid storing significant quantities of palm kernel shell at our manufacturing facility to minimise the risk of water damage.

We conduct quality screening of incoming deliveries of nitrile latex by testing latex samples in our quality assurance laboratory and only pump the nitrile latex into our storage tanks once it has passed our screening. We store chemicals in shaded storage and assess their condition every three months to ensure quality.

We isolate incoming materials that do not meet our specifications and quality requirements and we subject these to a separate handling process, which includes our vendor complaint procedure, which can involve returning non-conforming and non-correctable goods to the relevant vendor. We return or scrap materials that do not meet our standards in accordance with our non-conformance policies, which vary based on the type of material.

Stage 2: Production

Our in-process quality control system monitors the compounds used in the production process. Our production control team monitors important operational parameters such as temperature, chemical concentration, pH levels, barrier defects, visual defects and variance of glove stock for any issues so as to respond as soon as possible. We take samples from compounds in the dipping process and gloves from our production lines to test in our quality control laboratory. Our operations team reviews production performance data, including key performance indicators such as overall equipment effectiveness and the defect rate, and presents the data to management in monthly management meetings. We constantly upgrade our manufacturing facility and quality control systems to meet the standards of our customers and minimise our rejection rate.

Stage 3: Work-in-progress and finished goods

We review the quality of our work-in-progress and finished goods through thorough quality inspections and tests of random gloves to ensure that products conform to customer specifications and respective international standards. These include conducting a visual inspection, dimension inspection, physical inspection, powder content inspection, watertight test, donning test and quantity verification. Where appropriate, our procedures involve conducting multiple sampling procedures as per ISO 2859-1:1999. We retain samples for traceability in the case of quality investigations or in response to customer feedback. In addition to our internal quality control system, certain of our customers also conduct quality audits at our manufacturing facility for every shipment, either with their own inspectors or through third-party auditors. Some of our customers also conduct their own quality inspections off-site, before and/or upon delivery of our products to their premises. We manage our channels of communication with customers to ensure that any customer feedback is recorded and communicated effectively in our quality management system, which we use to continuously improve our service to our customers. From 1 January 2018 through 31 December 2020, we received fewer than 3.2 complaints per hundred million gloves as calculated by the total number of complaints received divided by the total number of gloves produced and delivered during that period.

Proactive corrective and preventative actions

We engage in proactive monitoring through a system of corrective and preventative actions. We review the latest quality trends in our daily operation meetings to ensure that we respond with the appropriate team, whether that be quality assurance, technical, production or engineering. After the investigation and rectification of the issue, we also take preventative action to ensure there is no recurrence. We also review the corrective and preventative actions that we have implemented to determine their effectiveness and whether further action is necessary. As part of our quality management system, we also conduct biannual internal audits of our integrated management process to ensure it complies with our own requirements and requirements of the relevant international standards. We review the findings of these internal audits in our biannual quality management review meetings.

As at 31 December 2020, our quality assurance and control team consisted of 234 personnel. We have been awarded ISO 9001:2015, ISO 13485:2016 and MDSAP certification for our quality management system. We have been awarded ISO 14001:2015 certification for our environmental management system. We are currently CE-registered under Medical Devices Directive 93/42/EEC and are currently in the process of obtaining certification of CE-Registration under Medical Device Regulation (EU) 2017/745, which we expect to receive around May 2021. We use statistical process control (SPC) for manufacturing and process control and analysis.

See Section 7.28 of this Prospectus for more details on our accreditations.

7.9 Sales and marketing

Our sales and marketing team leads our global sales and marketing activities. The team is responsible for securing new customers and maintaining existing customer relationships. As at 31 December 2020, the team consisted of seven personnel.

Our sales and marketing office is based in Malaysia and serves our growing network of over 35 customers which are primarily located in North America, Asia and Australia. For FYE 31 December 2020, the majority of our sales volumes were in North America (77.4%) and Asia (19.6%). Notably, between FYE 31 December 2018 and FYE 31 December 2020, we grew our sales volumes to Japan and Australia by more than 160%, from approximately 462 million gloves to approximately 1,224 million gloves, which we believe is a testament to our ability to meet the high quality standards of these markets.

While the demand from our existing customers has largely absorbed our increase in production capacity so far, we intend to grow our sales in Europe and China subject to developments relating to the COVID-19 pandemic. Any significant future growth into these or other regions will be subject to our servicing any additional growth in demand from our current customers. We currently have non-binding commitments from customers in the United States for the increased production capacity that we expect following the completion of Block F in 2021.

The following table sets out the breakdown of our sales volumes by geographical markets and the percentage these markets represent for the periods indicated:

	FYE 31 December					
	2018		2019		2020	
	Gloves ('000)	%	Gloves ('000)	%	Gloves ('000)	%
Market						
North America	2,187,821	78.6	4,363,169	77.1	5,596,819	77.4
Asia	554,730	19.9	1,152,675	20.4	1,418,773	19.6
Australia	14,474	0.5	142,840	2.5	185,119	2.6
Europe	25,570	0.9	225	0.0	27,848	0.4
South America	-	-	-	-	734	0.0
Total	**2,782,595**	**100.0**	**5,658,909**	**100.0**	**7,229,291**	**100.0**

We constantly seek to develop and grow our customer base. Our sales personnel seek to understand our existing and potential customers' requirements and industry trends and to regularly provide our customers with updates on our latest product developments. A deep understanding of our customers' needs combined with up-to-date knowledge of industry trends enables our sales and marketing team to add value for our customers and ensure that our product offerings are current and customised to individual customer needs. When engaging with a potential customer, we sometimes arrange for a team of our innovation, quality assurance, production and supply chain personnel to meet the customer at their office to better understand their product requirements and communicate effectively. Our sales and marketing team also uses our website and social media to communicate with customers and promote our products and services. Our customers are able to browse our product information online or contact us directly for their needs.

In addition to our direct selling efforts, we generate sales leads through referrals from customers, suppliers and business contacts. We also maintain an active profile in the industry by participating in industry-related events and in relevant international trade exhibitions where our sales team showcases samples of our products to existing and prospective customers. Recently, due to the lack of industry events during the COVID-19 pandemic, we have continued to engage with customers through conference calls, virtual meetings and frequent email communication.

We target our sales and marketing efforts at various types of customers, including both intermediary distributors and end-users. We are engaged as an OEM to manufacture products that are sold under other brands; however, we are currently building the requisite marketing and branding team and distribution channels for selling our own-branded products in the future. If we do distribute our own brands, we will only do so in markets where we are not in competition with our existing customers, such as China, and only after we are able to satisfy the growing demand for gloves from our existing customers.

7.10 Major customers and suppliers

7.10.1 Major customers

As at the LPD, we have over 35 customers globally.

Our top five major customers and their contribution to our total revenue in terms of amount and percentage for the years indicated are as follows:

		FYE 31 December 2018	
Customer	**Approximate length of relationship as at 31 December 2020 (years)**	**Sales (RM millions)**	**Percentage of revenue**
Medline Group[1]	4	67.0	24.2%
O & M Halyard International UC (U.S.) & Halyard Sales LLC (U.S.)[2]	3	60.8	22.0%
Encompass Medical Supplies Inc (U.S.)	8	27.9	10.1%
Cardinal Health Malaysia 211 Sdn Bhd (Malaysia)	2	22.6	8.2%
Tronex International Inc (U.S.)	4	18.1	6.5%
Total		**196.4**	**70.9%**

		FYE 31 December 2019	
Customer	**Approximate length of relationship as at 31 December 2020 (years)**	**Sales (RM millions)**	**Percentage of revenue**
Halyard Group (U.S.)[2]	3	198.8	38.8%
Medline Group[1]	4	133.9	26.1%
Saraya Hongkong Co Limited (Japan)	2	29.1	5.7%
Henry Schein Inc (U.S.)	2	28.3	5.5%
TNT Enterprises Inc (U.S)	3	22.4	4.4%
Total		**412.4**	**80.5%**

		FYE 31 December 2020	
Customer	**Approximate length of relationship as at 31 December 2020 (years)**	**Sales (RM millions)**	**Percentage of revenue**
Halyard Group (U.S.)[2]	3	354.3	29.1%
Medline Group[1]	4	339.1	27.8%
Cardinal Health Malaysia 211 Sdn Bhd (Malaysia)	2	195.6	16.1%
S2S Global (U.S.)	2	105.3	8.6%
TNT Enterprises Inc (U.S.)	3	31.7	2.6%
Total		**1,025.9**	**84.2%**

Notes:

(1) Comprises our Group's sales to Medline Industries Inc (U.S.), Medline International B.V. (Netherlands) and Medline Canada Corporation (Canada).

(2) Comprises our Group's sales to O & M Halyard International UC (U.S.) and Halyard Sales LLC (U.S.), which are related entities that merged in 2018.

Our major customers are mainly distributors of personal protective equipment and own the brands under which they market and sell our products. The quantity of gloves we sell to our major customers depends on the sales terms, demand for our products and delivery requirements. Our larger customers negotiate the expected quantity of gloves they expect to order from us for the coming 12 months. Such indicative quantities, although non-binding, helps us plan for future capacity expansion and accounts for a large majority of our output. Our customers generally place purchase orders with us one to two months ahead, and we continually adjust pricing and other terms over time and generally on a monthly basis. For our larger customers, we generally negotiate various limitations on the price of our gloves such as an agreed-upon maximum difference from the prices of other gloves in the market, an initially agreed upon price that adjusts over time based on relevant changes in foreign currency exchange rates and raw materials or a price that only changes for exceptional occurrences beyond our control. For the relatively small portion of gloves that we sell and that are not subject to customers' negotiated long-term quantities, the price is generally more responsive to the current supply and demand in the market. The blended average selling price of our gloves from 1 January 2020 to 31 December 2020 was USD39.22 per thousand gloves, a 56.2% increase from the blended average selling price of USD25.11 per thousand gloves for FYE 31 December 2018 (based in each case on unaudited financial information). Prices for gloves are generally driven by global supply and demand for gloves, as well as prices for raw materials. See Section 12.2.2(i) of this Prospectus for more details on the blended average selling price of our gloves. We support our customers with our key account management teams, which focus on building integrated partnerships with them, both through sales as well as through multilevel functional dialogue. Our experienced key account managers have a deep understanding of both the commercial aspects of our customer relationships and our customers' product needs, which means that we are able to meet our customers' technical requirements and fulfil their business needs. We are in constant communication with our customers about their procurement requirements and structure our production capabilities and capacity expansion to support their businesses.

Our strategy over the last five years has been to build our reputation and grow our size by working closely with a small number of close customers. As a result, our sales are concentrated in a small number of major customers. Our two largest customers in each of FYEs 31 December 2018, 31 December 2019 and 31 December 2020 accounted for 46.2%, 64.9% and 56.9% of our total revenue, respectively. Although there is a concentration of our revenue from two of our major customers, namely Halyard Group and Medline Group, we are of the view that our business and profitability do not depend on any particular customer, as:

- the revenue concentration is a direct result of our prioritising our expansion efforts on satisfying the demands of our current customers and developing key large accounts;

- we have existing unmet demand from our customer base, including our other major customers and other customers who wish to increase their purchase orders with us once we have available capacity; and

- according to Vital Factor, it is expected that the level of unmet demand will sustain the growth in the production of gloves up to 2023 and hence, we expect to be able to find demand/new customers elsewhere.

Notwithstanding these factors, any reduction or cessation of sales to any of our major customers, in particular Halyard Group and Medline Group, may affect our business and our financial performance. See Section 5.1.4 of this Prospectus for more details on the risk of our reliance on customers in general. We are not aware of any information or indication that would lead us to believe that either of these customers is planning to reduce or cease their purchases from us, as we believe that our glove supply to them is an important part of their growth plans. Some suppliers have increased their capacity in 2020 and plan to further do so in 2021, and we believe that at least one new entrant plans to enter the market in 2023. However, we also believe that there are elements in our business model that make it difficult or unattractive for customers to switch glove suppliers, since customers invest substantial time and effort in conducting due diligence on their suppliers, pre-qualifying them for supplying products and validating their performance.

Due to the effects of the COVID-19 pandemic, we are currently prioritising our expansion efforts on satisfying increases in demand from our current customers as opposed to growing our customer base. Subject to developments relating to the COVID-19 pandemic, we plan to seek to diversify our customer base through expansion of our marketing efforts in Europe and China. Revenue from our top five customers has historically increased at a higher rate than revenue from our other customers, growing from approximately 71% of our total revenue for FYE 31 December 2018 to approximately 84% of our total revenue for FYE 31 December 2020.

As at 31 December 2020, none of our Directors, executive officers, substantial shareholders or their respective associates have any interests, direct or indirect, in any of our major customers.

7.10.2 Major suppliers

Our main suppliers are suppliers of various products and materials, including nitrile latex, chemicals and packaging materials, as well as utilities for gas and electricity. While the number of our suppliers constantly fluctuates, we have approximately 30 suppliers of the abovementioned products and services to our business as at the LPD.

The following tables set out details of our top five major suppliers (other than for utilities and capital expenditures) by amount of their purchases and as a percentage of our total purchases for the years indicated:

			FYE 31 December 2018	
Supplier	**Approximate length of relationship as at 31 December 2020 (years)**	**Main type of materials purchased**	**Purchases (RM millions)**	**% of total purchases**
Kemtech International Limited (Singapore)	4	Nitrile latex	62.4	34.4%
Nantex Industry Co, Ltd (Taiwan)	6	Nitrile latex	36.9	20.4%
Synthomer Sdn Bhd (Malaysia)	10	Nitrile latex	25.7	14.2%
Hoong Chan Trading & Transport Sdn Bhd (Malaysia)	8	Palm kernel shell	11.6	6.4%
HL Porcelain Sdn Bhd (Malaysia)	6	Former	8.7	4.8%
Total			**145.2**	**80.1%**

			FYE 31 December 2019	
Supplier	**Approximate length of relationship as at 31 December 2020 (years)**	**Main type of materials purchased**	**Purchases (RM millions)**	**% of total purchases**
Kemtech International Limited (Singapore)	4	Nitrile latex	95.8	35.0%
Synthomer Sdn Bhd (Malaysia)	10	Nitrile latex	40.9	15.0%
Itochu Malaysia Sdn Bhd (Malaysia)	2	Nitrile latex	39.1	14.3%
Nantex Industry Co, Ltd (Taiwan)	6	Nitrile latex	20.6	7.5%
Tiong Tat Printing Industry Sdn Bhd (Malaysia)	8	Packaging materials	10.1	3.7%
Total			**206.5**	**75.6%**

7. BUSINESS OVERVIEW *(Cont'd)*

Supplier	Approximate length of relationship as at 31 December 2020 (years)	Main type of materials purchased	FYE 31 December 2020	
			Purchases (RM millions)	% of total purchases
Kemtech International Limited (Singapore)	4	Nitrile latex	135.3	37.7%
Nantex Industry Co, Ltd (Taiwan)	6	Nitrile latex	57.5	16.0%
Synthomer Sdn Bhd (Malaysia)	10	Nitrile latex	54.9	15.3%
Hoong Chan Trading & Transport Sdn Bhd (Malaysia)	8	Palm kernel shell	14.9	4.1%
Tiong Tat Printing Industry Sdn Bhd (Malaysia)	8	Packaging materials	11.3	3.2%
Total			**274.0**	**76.2%**

We do not enter into long-term contracts with our raw material suppliers with the exception of Synthomer, which supplies us with nitrile latex. Under our contract for nitrile latex, Synthomer has committed to provide certain minimum monthly quantities of product from 1 September 2019 to 31 August 2022 at a price that we negotiate monthly but that is directionally driven by changes to certain costs of the supplier. Our Directors believe that our current suppliers provide us with raw materials at relatively similar prices to the prices available from other suppliers in the industry and that our long-term supplier relationships provide us with higher likelihood of access to raw materials when such resources are scarce.

Although there is a concentration of purchases from our major suppliers, we are of the view that we do not depend on any particular supplier as our key raw materials purchased, namely nitrile latex and palm kernel shell, are commodities which can be obtained from other suppliers throughout the Asia Pacific region.

While we do not believe that we are dependent on any one supplier for our operations, the COVID-19 pandemic has resulted in high industry demand for raw materials and tighter supplies, including in particular for nitrile latex. While we expect the supply of nitrile latex in Malaysia to grow along with the demand for gloves, our profitability may be affected by shortages in these raw materials or the inability of our suppliers to meet our raw material requirements. Notwithstanding, we have relationships with multiple suppliers of nitrile latex who will be able to step in in the event of any shortfall in supply from any one supplier. We have long-term relationships with our suppliers who have demonstrated their long-term commitment by continuing to work with us through our initial years of operations. We are not aware of any information or arrangement that would lead to the reduction or cessation of any of the current relationships with our suppliers, but a disruption in our supplies could have a material adverse effect on our business.

See Section 5.1.3 of this Prospectus for more details on the possible effects of the COVID-19 pandemic on our business and operations. See Section 5.1.6 of this Prospectus for more details on the risk of supplier cancellations in general.

As at 31 December 2020, none of our Directors, executive officers, substantial shareholders or their respective associates have any interests, direct or indirect, in any of our major suppliers with the exception of HL Porcelain Sdn Bhd which supplies us with glove formers and is a related party. See Section 10 of this Prospectus for more details on our related party transactions.

7.10.3 Credit management

Credit terms to our customers

We generally extend credit terms of between 30 days and 60 days to our customers. These credit terms may differ as we grant credit terms based on creditworthiness, level of risk involved, size of order, payment history records, length of relationship with the customer and other factors. For instance, we may sell to new customers on cash terms until they have demonstrated a prompt payment track record, following which we may extend the appropriate credit terms.

We make specific provisions when the recoverability of an outstanding debt is in doubt. We may also write off an outstanding debt when we are certain that a customer is unable to meet its financial obligations.

We monitor our collection of payments as well as trade receivables past due on a regular basis. For FYEs 31 December 2018, 31 December 2019 and 31 December 2020, the trade receivables written off were not material. We did not make any provisions for bad debts.

See Section 12.2.8(iv) of this Prospectus for more details on our trade receivables turnover.

Credit terms from our suppliers

The credit terms our suppliers grant us usually range between 30 days and 60 days. The credit terms granted to us depend on the size of our order and the length of our relationship with the supplier, among other factors.

The trade payables turnover period for FYEs 31 December 2018, 31 December 2019 and 31 December 2020 is within the credit period normally granted by our trade suppliers.

See Section 12.2.8(iv) of this Prospectus for more details on our trade payables turnover.

7.11 Competition

Our industry is highly competitive and dependent on exports. We consider our primary competition to be other manufacturers of nitrile examination gloves as well as manufacturers of natural rubber gloves. We face intense competition from multinational companies as well as companies in Malaysia, China, Indonesia, Thailand and Vietnam. We primarily compete based on quality and the ability to deliver quality on a consistent basis, price, reputation, operating history and customer relationships. We consider our primary differentiator to be the consistently high quality of all our products. This requires educating our manufacturing workers with high levels of technical knowledge, which can be resource intensive.

See Section 8 of this Prospectus for more details on our competitors and barriers to entry for our industry.

7.12 Raw materials and procurement

The primary raw material used in the production of our gloves is nitrile latex. We purchase all our raw materials from external suppliers, mainly from Korea and Taiwan but also from Malaysia and Thailand. Our procurement team assesses and selects suppliers based on criteria including the quality of the raw materials supplied, pricing, reliability and punctuality of delivery. Once a suitable raw material and supplier are identified, our procurement team negotiates the supply arrangements. Our procurement team also communicates with suppliers on at least a monthly basis to survey their new materials offerings, assess the quality of their raw materials and ensure our relationships remain strong. We place purchase orders with our suppliers on a monthly basis and continually adjust volume, pricing and other terms over time. The price and availability of nitrile latex are influenced by various factors including market supply and demand conditions, the price of oil, the quantity purchased and individual negotiations with our suppliers. Costs of raw materials have increased in 2020 due to an increase in market demand, and we expect them to remain elevated for the near future. See Section 12.2.2(iii) of this Prospectus for more details on the prices and availability of raw materials. See Section 5.2.2 of this Prospectus for more details on the effects of price fluctuations and raw material shortages on our profitability.

The process of purchasing and obtaining raw materials takes between one and two months. While we sometimes purchase raw materials through trading houses, we always ship the raw materials directly to our manufacturing facility, usually on a cost, insurance and freight ("**CIF**") basis. We limit the required storage of raw materials and finished products at our manufacturing facility by only manufacturing products in response to purchase orders from our customers.

We use separate inventory management systems and quality tests for different materials, including different maximum storage periods for different materials to ensure appropriate quality. We purchase ceramic hand formers and conduct a visual inspection (buy-off) according to standardised operating procedures, maintaining inventory levels of at least 50% above normal capacity. We adjust our stock of formers in response to major changes to customer orders and shortages of formers in the market. We maintain levels of certain spare parts and consumables in line with levels set by our engineering and inventory departments, and we order other spare parts and consumables only when they are required.

We have good working relationships with all of our raw material suppliers. Members of our Key Senior Management meet annually with the senior management of our suppliers for ongoing partnership and strategy discussions. In addition, our mid-level management stays in regular contact with our suppliers, including through monthly meetings and frequent but informal communications to discuss price, supply, quality and feedback. We believe that close cooperation with our major suppliers enables us to develop new products that add value. One example of such a product is our Malachite gloves, which we developed in collaboration with one of our suppliers, Synthomer. We also believe that long-term relationships with suppliers are key to our success as there is a higher likelihood that we will have access to raw materials from these suppliers when these resources are scarce. In part to foster these relationships, we generally do not switch suppliers based on price alone. Our Directors believe that our current suppliers provide us with raw materials at relatively similar prices to the prices available from other suppliers. We have verbal agreements from our raw material suppliers that they will meet our increased demand for raw materials in light of our long-term expansion plans.

See Section 12.2.5(ii) of this Prospectus for more details on how the cost of raw materials has impacted our business, financial condition and results of operations.

7.13 Future plans for the construction, expansion and improvement of plant, property and equipment

While we are not raising any funding through this IPO, we believe that we have sufficient funding to pursue capacity expansion by building new optimised facilities with production lines that are faster, more efficient and technologically advanced. We fund our expansion plans through cash from operations and bank borrowings. We currently have the following expansion plans:

Block expansion	Estimated commencement and completion year	Expected increase in installed capacity (billion gloves per year)	Expected number of production lines	Estimated total cost (RM in millions)	Method of funding	Reason for the expansion
Land filling and infrastructure	2021-2023	-	-	6	Bank borrowings and cash from operations	Land filling and infrastructure for the centralised warehouse
Centralised warehouse	2021-2023	-	-	40	Bank borrowings and cash from operations	Increase storage capacity for gloves, packaging materials and formers
Block G	2021-2023	4.0	10	190	Bank borrowings and cash from operations	Increase production output capacity
Block H	2021-2023	4.0	10	175	Bank borrowings and cash from operations	Increase production output capacity

With the target completion of these expansion plans by the end of 2023, we expect to have 54 production lines and a total annual installed capacity of 19.5 billion gloves. We intend to expand our operations in 2023 onto the 19.5 acres of land that we own adjacent to our current manufacturing facility. The current maximum capacities of our electricity, gas and water supply will also be sufficient to cater for these expansions through 2023.

7.14 Seasonality

We do not experience any material seasonality in our business.

7.15 Innovation and technology development

We believe that innovation is a core element of our corporate culture and a key pillar of our business strategy. We believe that innovation is necessary to ensure our business competitiveness and sustainability. In addition to seeking to foster a culture of innovation throughout our Group, we also operate a dedicated innovation team under our subsidiary, New Era Medicare, and we incorporate innovation in our organisational talent management system. As at 31 December 2020, our innovation team consisted of 29 personnel from various functions across our Company whose primary responsibility involved delivering innovation across the various elements of our business. Our team supports product and process development, engineering innovation, technical support and product stewardship. Our innovation team seeks to stay ahead of market trends as much as possible by staying informed of new developments and trends in the industry including with technology, process improvements and material science. Technological improvements enable us to improve the quality and capabilities of our existing products, develop new products and more effectively respond to the needs of our customers. Advances in materials science can result in new materials that enable gloves with new specialised functions, gloves made from materials other than nitrile or gloves created through new manufacturing techniques. Our innovation team also uses feedback from our customers to ensure that our products address their requirements. Together, these areas of focus enable our innovation team to both meet market demand for new products as well as to achieve functional improvements in hand barrier protection.

Our R&D efforts have enabled us to improve the efficiency of our manufacturing processes and strengthen the properties of our products. For example, we have enhanced the tensile strength of our gloves through a combination of advancements in product and process development through chemical and engineering designs. This has enabled us to produce gloves with the same tensile strength while using less material, thereby reducing manufacturing and shipping costs as well as the environmental impact of the gloves. As a result, we have decreased the thickness and weight of our gloves over time, from 3.5 grams in 2015 to 2.7 grams in 2020, without compromising the tensile strength of our products and while continuing to meet the relevant regulatory and customer requirements.

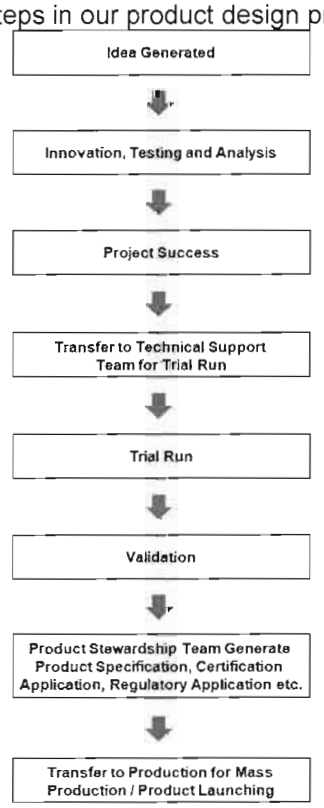
Our primary area of research is to improve our manufacturing processes by increasing automation as labour dependency is a well-known challenge in the glove industry. Improving automation accounts for approximately 70% of our R&D budget. The benefits of automation include less reliance on manual labour, improved reliability and efficiency of our production lines and more consistent product quality. We seek to increase automation in our current production lines as well as to design improved production lines for use in future expansions to our manufacturing facility. We have identified several specific production processes for automation in the future, including for stripping and packing. Once we have sufficiently evaluated our technology and automation methods, we will scale them up in a production line for further evaluation. After proving the technologies, we will then apply them to future production lines. In the future, we intend to use artificial intelligence in our design process and improve our data analysis capabilities.

7. BUSINESS OVERVIEW *(Cont'd)*

We also use our R&D efforts to create new materials and products. This accounts for approximately 30% of our R&D budget. These products are primarily gloves designed for functional improvements or specific uses. In 2018, we launched the marketing of our eco-friendly gloves, Malachite, after a successful joint effort with Synthomer. Our Malachite gloves are the first commercial nitrile examination gloves with a full cradle-to-grave (from resource extraction to use and disposal) LCA, which enables us to demonstrate their measurably smaller carbon footprint relative to conventional nitrile gloves and natural rubber gloves. This makes it possible for customers to select gloves based on environmental index considerations in addition to the usual characteristics such as performance, material and price. We view our Malachite gloves as being a direct result of our commitment to safety, health and the environment ("**SHE**") as well as sustainability. We are currently developing nitrile examination gloves with even higher chemotherapy drug permeation resistance than the gloves we had introduced in 2018 which were approved by the FDA for use with 36 different chemotherapy drugs. This requires developing a material and manufacturing process to create gloves with higher permeation resistance to certain chemicals. We are currently developing and planning to scale up production by 2022 of a new medical glove that complies with more stringent medical standards and we are also working on longer-term projects, including exploring the production of non-nitrile gloves.

We generally launch new products in response to customer feedback and market developments as well as based on our R&D. Our stages of product development include coming up with an original concept, innovation through R&D, testing, analysis, validation of manufacturing processes to ensure they produce a product that meets pre-determined specifications, obtaining the necessary certifications and regulatory qualifications and handing over the newly designed product to our production team for mass production and market launch. Together, these can span 3.5 years or more, depending on the underlying materials, but they can also take a shorter period of one to two years when revising an existing product. We generally conduct the first three stages of our product development in our laboratory over at least 1.5 years before commencing development of a prototype of the new product. After development of the prototype, the product prototype undergoes external testing as part of the analysis stage to obtain its certification by the relevant authorities, which generally takes at least another year. We then introduce the product into the market by educating customers and end-users about the features and testing results, a process that can also take a year or more.

The following chart sets out the steps in our product design process:



In addition to working on new products, our innovation team also provides manpower for day-to-day technical support of our production operations, including routine production troubleshooting and former management support. Further, our innovation team works closely with our production team to ensure we are at optimised production yield without compromising product quality.

We also operate a product stewardship team that manages regulatory affairs for our products and ensures we meet all regulatory requirements for our medical devices, including our future products. This involves managing product regulation, registration, licensing, labelling, product data sheets and intellectual property.

The following table sets out the amount and growth in our R&D expenditure for the years indicated:

	FYE 31 December		
	2018	**2019**	**2020**
R&D expenditure (RM'000)	941.2	1,179.8	737.2
Growth/(reduction) in R&D expenditure against the previous year (%)	202.6%	25.4%	(37.5%)[1]

Note:

(1) Our R&D expenditure decreased for FYE 31 December 2020 compared to FYE 31 December 2019 mainly due to our increased focus on meeting increased demand during the COVID-19 pandemic instead of R&D on product development. However, we still continued our in-house R&D work throughout the year.

7.16 Insurance

The insurance policies that we currently hold are customary in the industry in which we operate, and we review our insurance coverage annually. Both of our subsidiaries are covered by insurance. Our Directors believe that we have adequate insurance coverage for our business operations.

We have the following insurance policies in place:

- Fire insurance for certain of our properties and all contents therein in relation to any damage caused by fire due to certain explosions, civil disorders, storm, earthquake and/or flood;
- Machinery breakdown insurance for all plant and machineries, their related peripherals and all electronic installations and glove formers in relation to any damage caused by airfreight, civil commotion, leakages, malicious damage;
- Boiler insurance for thermal oil boilers and heaters;
- Heavy equipment insurance for damage, loss and theft in relation to four vehicles, including three shovels and one dumper lorry;
- Goods-in-transit insurance for damage to our finished goods, non-finished goods, materials and other cargoes related to our business that occur during land journeys, loading or unloading until completion of loading onto marine vessels for CIF/ FOB sales within Peninsular Malaysia, all Malaysian ports, Singapore and Thailand;
- Burglary insurance for our properties and all contents therein;
- Money insurance, including for cash-in-transit, cash-in-safe, damage to safe and related personal accident insurance for staff;

- Public liability insurance for any accidental injuries suffered by a third party on or about our properties including our manufacturing facility and all other premises in Malaysia where we conduct business activities such as storage, packing, marketing and distribution;

- Group personal accident insurance for accidents to our executives, managers, supervisors and staff;

- Key person life insurance for Haziq bin Zairel Oh, our Managing Director and Chief Executive Officer, and Chen Ghee Wen, our Executive Director and Chief Operating Officer; and

- Employer's liability insurance for our employees that are not foreign licenced workers in relation to any sickness or injuries, accidental death or permanent total or partial disablement suffered during the course of their employment (our employees are also covered under the social security scheme administered by the Social Security Organisation of Malaysia).

7.17 Major licences and permits

Our business is located in Malaysia and we are subject to regulation by various laws, regulations and government agencies such as the MITI. These regulations require us to obtain various licences or approvals to carry out our manufacturing and distribution activities. As an OEM, we sometimes rely on the licences of our customers, where appropriate.

Details of our major licences, permits and registrations obtained for our business operations as at the LPD are set out in Annexure A of this Prospectus.

7.18 Business interruption due to the COVID-19 pandemic

The COVID-19 pandemic has had various effects on our business and operations, from driving global demand for examination gloves which has resulted in significant increases in our ASPs to an interruption and suspension of operations at our manufacturing facility in Teluk Intan in February and March 2021 due to confirmed cases of COVID-19 among our workers.

7.18.1 Impact on our business and operations for FYE 31 December 2020

In 2020, the COVID-19 pandemic, including the related travel restrictions, quarantine and lockdown measures imposed in Malaysia, did not have a material adverse effect on our business or operations. The Malaysian government took various measures to contain the spread of COVID-19 in Malaysia in 2020, starting with ordering all government and private premises to close with the imposition of the first MCO from 18 March 2020 to 3 May 2020. During this period, we were not required to close or temporarily suspend our operations at our manufacturing facility as our business was deemed to be "essential" because we manufacture personal protective equipment. The Malaysian government subsequently announced the imposition of the CMCO from 4 May 2020 to 9 June 2020, and the RMCO from 10 June 2020 until 31 March 2021, which curtailed the restrictions. However, due to a resurgence of COVID-19 cases in Malaysia, the Malaysian government re-imposed the CMCO on a state-by-state basis in the last quarter of 2020. The implementation of the CMCO and RMCO cut back on the restrictions by allowing businesses in various industries in areas under the CMCO and RMCO to operate at a higher capacity than under the MCO. The Malaysian government has also imposed other restrictions, including requiring foreign worker housing to meet certain social distancing standards, requiring that all foreign workers be tested for COVID-19 and limiting the availability of foreign workers to encourage employers to hire local workers. In part to mitigate the risk of a possible labour shortage resulting from these restrictions on foreign workers, but largely in preparation for the commencement of operations of Block F, we expanded our workforce by 37.2% in 2020.

While the COVID-19 pandemic has led to an increase in demand for personal protective equipment such as examination gloves, we do not believe that this increased demand significantly impacted our sales volumes for FYE 31 December 2020 because we were already operating at high levels of production capacity prior to the COVID-19 pandemic. The increased global demand for personal protective equipment significantly contributed to a rise in our ASPs to the highest levels that our Company has experienced to date. In response to market forces, including rising prices of raw materials and increased supply and demand pressures, we gradually increased the ASPs of our gloves during FYE 31 December 2020. However, we have remained careful in our pricing negotiations during the pandemic to strike a balance between profit and maintaining long-term business relationship with our customers and suppliers as we believe in the importance of long-term relationships for our continued success and growth in the future. We currently expect the selling prices of gloves to remain above their pre-COVID-19 levels through 2021, in line with the continued strong demand for nitrile examination gloves.

See Section 5.2.1 of this Prospectus for more details on the effects of the COVID-19 pandemic on fluctuations in the demand for and selling prices of examination gloves.

7.18.2 Impact on our business and operations for FYE 31 December 2021

On 11 January 2021, the Malaysian government announced the re-imposition of the MCO on a state-by-state basis. The MCO took effect from 13 January 2021 and was subsequently extended until 4 March 2021. A state of emergency was also declared on 12 January 2021, effective until 1 August 2021, to prevent the further spread of COVID-19.

In February and March 2021, we experienced a disruption to our operations at our manufacturing facility due to the occurrence of confirmed cases of COVID-19 among our workers. We detected the first case of COVID-19 in early February 2021 and immediately began testing our workers and quarantining those who had had close contact with confirmed cases. We also immediately contacted the local district health authority (the district office of the MOH) and worked closely with them with regard to contact tracing, quarantine arrangements, health assessments and received advice from them on how to address the situation. We also engaged a medical services provider to conduct RTK-Ag tests and PCR tests for mass screening of all our workers. Based on the results of this screening, we initiated a temporary suspension of our manufacturing operations from 15 February 2021 to prioritise the safety of our workers and the surrounding community.

Subsequently, the MOH, together with the local district health authority, imposed an EMCO on our manufacturing operations and our workers' hostels from 22 February 2021 through 7 March 2021, which required us to suspend all operations at our manufacturing facility and the construction site where our new worker hostel is under construction, test all of our workers and quarantine those who tested positive. The authorities subsequently lifted the EMCO on 8 March 2021, further to their assessment, and we then resumed operations in phases, achieving a daily production output in terms of number of gloves produced equal to pre-suspension levels by 13 March 2021. We also implemented reinforced health and safety measures, such as engaging a new third-party supplier of healthcare services. See Section 7.18.4 of this Prospectus for more details on our reinforced health and safety measures.

The suspension of our operations from 15 February 2021 through the end of the EMCO period on 7 March 2021 resulted in a reduction in the number of gloves that we produced by approximately 628 million pieces, which is approximately 5% of our total annual installed capacity for FYE 31 December 2021. Despite the reduction in the number of gloves produced, we expect our Group's revenue and PAT for FYE 31 December 2021 to be higher than for FYE 31 December 2020, due to the increase in our installed annual capacity to 11.6 billion gloves from February 2021 onward and the strong global demand for gloves, which has resulted in higher ASPs for our gloves from the start of 2021 until the LPD as compared to the ASPs for FYE 31 December 2020.

This disruption to our manufacturing operations has resulted in delays in our shipments and deliveries and the fulfilling of our customers' purchase orders. We maintained close communication with our customers throughout this period to address the delay in fulfilling their orders and kept them updated on our progress and our expected timeline for resuming production in order to minimise the impact on our customers.

7.18.3 Impact on our supply chain

While we have encountered some delays in the delivery of packaging materials and spare parts/consumables as a result of the COVID-19 pandemic, we do not consider these delays to be material and have not faced any material disruption, shortage or delay in the supply of raw materials during the MCO Period or subsequently. We did not encounter a material increase in the cost of raw materials for FYE 31 December 2020 and up to the LPD.

As a result of the temporary suspension of our manufacturing operations from 15 February 2021 through 7 March 2021, we temporarily postponed some orders from our suppliers until we were able to resume production. We stayed in constant communication with our suppliers during this period in order to ensure they were well informed of our progress so they could support us in a timely manner upon the resumption of our manufacturing operations.

7.18.4 Our precautions and responsive measures

The COVID-19 pandemic has led to new restrictions and obligations on our operations, including at our manufacturing facility and workers' hostels. Malaysian government regulations have required us to comply with social distancing measures and hygiene requirements since the implementation of the MCO. To protect the health of our workers and minimise the risk of disruptions to our operations, we implemented the following COVID-19 preventive measures during the course of 2020:

- we conduct regular temperature checks and contact tracing of workers at our manufacturing facility, require the use of face masks at all times in the workplace, encourage good personal hygiene including washing hands with soap and using hand sanitiser, clean workplace premises regularly, require our employees to maintain a safe distance when in a work environment, limit external travel of our employees and implemented standard operating procedures to manage employees who are unwell; and

- for the duration of the MCO Period, we used a roster system for our administrative staff at our office to ensure continuity of operations in case any staff were infected.

In February 2021, upon discovering positive COVID-19 cases among our workers at our manufacturing facility, we undertook a review of our COVID-19 preventative measures and implemented the following additional measures to protect the health and safety of our workers as well as to safeguard our operations:

- established a testing protocol to ensure that (i) all workers who return to our manufacturing facility have tested negative for COVID-19 and (ii) we test a sample of our workers on a monthly basis, with more targeted testing on specific groups of employees who may be more at risk of contracting COVID-19 (such as employees who travel frequently);

- provided quarantine accommodations and healthcare treatments to our workers;

- engaged a new third-party provider of healthcare services for our workers;

- disinfected the workplace and workers' hostels according to guidance from the local district health authority;

- limit the number of visitors who may enter our manufacturing facility. In the event a visit is required, proactive screening by our in-house medical team on the external visitors will be conducted using RTK-Ag tests to ensure that visitors are COVID-19 free;

- adopted additional measures relating to external vendors who enter our premises on a regular basis; and

- fine-tuned our crisis management procedures as part of our business continuity plan improvement.

In addition, we also provided a one-time payment to all our employees (except for Directors, Key Senior Management and other senior management) to assist them with meeting some of the financial burdens imposed by the COVID-19 pandemic.

We are in the process of implementing a split-teams initiative to separate our operational workers into two groups, by manufacturing blocks, which includes establishing protocols to minimise contact between the two groups. We believe that this initiative is consistent with the isolation measures required by local authorities, while reducing the risk of disruptions to our operations at our manufacturing facility.

See Section 5.1.3 of this Prospectus for certain risks relating to the COVID-19 pandemic to our business and operations.

7.19 Employees

As we consider our employees to be our biggest asset, one of our key strategic initiatives is to constantly develop our human capital.

As at 31 December 2020, we had 2,600 employees, comprising 2,432 permanent employees and 168 contract employees. We generally do not experience any significant seasonal fluctuations in the number of our full-time employees, contract and part-time employees. As at 31 December 2020, the employees at our manufacturing facility consisted of approximately 24% Malaysian workers and approximately 76% foreign workers. We house all our foreign workers in workers' hostels. In response to the Malaysian government's policies in 2020 that have restricted the availability of foreign workers, we are currently seeking to expand the number of local employees in our manufacturing workforce.

All of our employees reside in Malaysia with the exception of one member of our sales team who resides in Australia. The following table sets out the employees of our Group by their functional areas as at the dates indicated:

Job Function	As at 31 December 2019	As at 31 December 2020
Top Management[(1)]	7	14
Administration	73	74
Innovation	18	29
Quality Assurance & Control	174	234
Operations	1,623	2,249
Total	**1,895**	**2,600**

Note:

(1) Includes our Key Senior Management.

None of our employees are members of any union and we have not experienced any labour disputes in the past that caused a material disruption to or materially affected our operations. One of our top management officers participates in a committee of local and foreign manufacturing workers which provides a platform for two-way communication between our top management and our workers.

7. BUSINESS OVERVIEW *(Cont'd)*

We recruit employees through a competency-based interview system and automatically enrol all employees into our Learning and Development Programme which has three main types of trainings:

- Our basic training plan provides new employees with an entry-level understanding of our Company, its operations and industry practices from a SHE perspective. This involves familiarisation with our integrated management system, including for both quality and environmental, our accredited ISO system, HR policies, GMP compliance, SHE policies and workplace SHE protocols. We also provide trainings for fundamental management competency skills to supervisory and managerial level employees.

- Our on-the-job trainings are conducted by employees' immediate supervisors and provide more specific knowledge based on individual roles. This includes work instructions and standard operating procedures as well as the guidance of employees' respective supervisors and/or department heads.

- Our cross-functional refresher initiatives are a part of our continuous improvement efforts which aim to provide value to both new employees as well as long-time employees. These initiatives involve interactive sessions that facilitate communication between our internal trainers and trainees from different departments. Our goal with these is to promote knowledge sharing across departments and to eliminate miscommunication. We began these refresher initiatives in 2020.

We also believe in equipping our non-production personnel, such as our employees in our administration, finance and human resources departments. Our senior staff in these departments periodically conduct in-house trainings and we sometimes also provide external speakers or consultants. For some personnel, we also sponsor external learning opportunities in their respective fields.

As part of our commitment to CSR and our obligation to ethical trade and business, we became a member of Sedex on 9 June 2019. Sedex is an ethical trade service membership organisation that works with businesses to improve working conditions in global supply chains. Since joining, Central Medicare has undergone two social audits in compliance with SMETA conducted by independent auditors in June 2019 and November 2019. SMETA is an ethical audit methodology developed by Sedex that covers Sedex's four pillars of labour, health and safety, environment and business ethics. These audits are governed by, among other things, the ETI Base Code and local law.

We completed our independent SMETA 6.0 audit conducted by UL in November 2019. This audit indicated, among other things, that our labour practices are in line with the ETI Base Code with the exception that our employees work an average of 66 hours per week. While this is allowed under national law, it is more than the 60 working hours within any seven-day period normally permitted under the ETI Base Code. However, we believe that we have met the criteria for an exception under the ETI Base Code which allows our working hours to exceed 60 hours within any seven-day period, namely that (a) this is allowed by national law; (b) this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce; (c) appropriate safeguards are taken to protect the workers' health and safety; and (d) we are able to demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies. Specifically, on 1 January 2020 we entered into a workforce agreement with representatives elected by our workers which covers, among other things, hours of work and voluntary overtime, including the maximum hours per day that we can require our workers to work and the compensation to be provided for any overtime work.

In addition, as part of our commitment to social corporate responsibility, we are currently constructing a permanent workers' hostel to improve the social welfare of our workers by providing them with more space in their living quarters. Some of our customers conduct their own audits of our Company's social welfare, including of the living conditions of our workers.

See Section 5.2.4 of this Prospectus for more details on the potential ramifications of our SMETA audit results.

7. BUSINESS OVERVIEW (*Cont'd*)

7.20 Intellectual property and trademarks

Save as disclosed below, as at the LPD, we do not have any brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights:

7.20.1 Trademarks

As at the LPD, we have registered the following trademarks which are used for the operation of our business:

No.	Trademark[1]	Registered owner / Applicant	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
1.	HARPS HOLDINGS	HARPS (Applicant)	TM2020021086	Malaysia	Application for this trademark is "Published"[2]	Class 35: Business administration and management; business development; office functions; analysis of business data; business research; marketing research; advertising; the bringing together, for the benefit of others, of a variety of goods, excluding the transport thereof, enabling customers to conveniently view and purchase those goods; business strategic planning; business strategy development; corporate planning; public relations.
2.	Central Medicare	Ngu Sing Yang[3] (Applicant)	TM2020000569	Malaysia	Application for this trademark is "Under Formality Validation"[4]	Class 9: Gloves for protection against accidents Class 10: Gloves for medical purposes

No.	Trademark[1]	Registered owner / Applicant	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
3.		Central Medicare (Applicant)	TM2021001813	Malaysia	Application for this trademark is "Under Formality Validation"[5]	Class 35: Business administration and management; business development; office functions; analysis of business data; business research; marketing research; advertising; marketing; online advertising on a computer network; the bringing together, for the benefit of others, of a variety of goods, excluding the transport thereof, enabling customers to conveniently view and purchase those goods; business strategic planning; business strategy development; corporate planning; public relations; providing business information; providing business information via a website. Class 42: Product research and development; providing information and data relating to scientific and technological research and development; scientific and medical research and development; scientific and technological services and related research and design services; design and development of industrial products; industrial analysis services; industrial research, development and testing services; chemical research; clinical trials; quality control; scientific laboratory services; material testing.

7. BUSINESS OVERVIEW *(Cont'd)*

No.	Trademark[1]	Registered owner / Applicant	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
4.	MALACHITE ECO TRANSFORMATION	Central Medicare (Registered Owner)	TM2019013059	Malaysia	11 April 2029	Class 9: Protection devices for personal use against accidents; gloves for protection against accidents; all included in class 9
5.	MALACHITE ECO TRANSFORMATION	Central Medicare (Registered Owner)	TM2019013066	Malaysia	11 April 2029	Class 10: Gloves for medical purposes included in class 10
6.	NEW ERA MEDICARE	New Era Medicare (Applicant)	TM2021001814	Malaysia	Application for this trademark is "Under Formality Validation"[6]	Class 9: Gloves for protection against accidents; clothing and gloves for use in welding for protection against accidents or injury; disposable gloves for laboratory use; disposable latex gloves for laboratory use; disposable plastic gloves for laboratory use; gloves for protection against x-rays for industrial purposes.

No.	Trademark[1]	Registered owner / Applicant	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
						Class 10: Disposable gloves for medical purposes; disposable gloves for medical use; disposable gloves for surgical purposes; disposable gloves for surgical use; disposable gloves for veterinary purposes; disposable gloves for veterinary use; examination gloves for medical purposes; examination gloves for medical use; gloves for dental purposes; gloves for dental use; gloves for medical examinations; gloves for medical purposes; gloves for medical use; gloves for veterinary purposes; gloves for veterinary use; medical examination gloves; surgical gloves. Class 35: Business administration and management; business development; office functions; analysis of business data; business research; marketing research; advertising; marketing; online advertising on a computer network; the bringing together, for the benefit of others, of a variety of goods, excluding the transport thereof, enabling customers to conveniently view and purchase those goods; business strategic planning; business strategy development; corporate planning; public relations; providing business information; providing business information via a website.

No.	Trademark[1]	Registered owner / Applicant	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
						Class 42: Product research and development; providing information and data relating to scientific and technological research and development; scientific and medical research and development; scientific and technological services and related research and design services; design and development of industrial products; industrial analysis services; industrial research, development and testing services; chemical research; clinical trials; quality control; scientific laboratory services; material testing.

Notes:

(1) *Trademarks 2, 4 and 5 are in colour.*

(2) *The trademark has not been registered with the Intellectual Property Corporation of Malaysia ("**MyIPO**"). The application for the registration of the trademark was submitted on 18 September 2020 and as at the LPD, the trademark was published and gazetted on 28 January 2021.*

(3) *The trademark was submitted for registration by Ngu Sing Yang, our Head of Finance, with MyIPO. Pursuant to a deed of assignment dated 10 December 2020 executed by Ngu Sing Yang as assignor, and Central Medicare, as assignee, Ngu Sing Yang has agreed to assign the rights, title and interests in this trademark to Central Medicare. The application for the change of ownership of the trademark by Ngu Sing Yang to Central Medicare will be effected upon registration of the trademark.*

(4) *The trademark has not been registered with MyIPO. The application for the registration of the trademark was submitted on 10 January 2020 and as at the LPD, the trademark is under formality validation.*

(5) *The trademark has not been registered with MyIPO. The application for the registration of the trademark was submitted on 20 January 2021 and as at the LPD, the trademark is currently under formality validation.*

(6) *The trademark has not been registered with MyIPO. The application for the registration of the trademark was submitted on 20 January 2021 and as at the LPD, the trademark is currently under formality validation.*

7.21 Governing laws and regulations relating to Malaysia

Our Group's business is regulated by, and in some instances required to be licensed under, specific laws of Malaysia. The relevant laws and regulations governing our Group and which are material to our operations are summarised below.

7.21.1 Industrial Co-Ordination Act 1975 ("ICA")

Pursuant to the ICA and the Industrial Co-ordination (Exemption) Order 1976, a person engaged in a manufacturing activity and with shareholders' funds of RM2.5 million and above or which engages more than 75 full-time paid employees must be issued a manufacturing licence and MITI may subject such licence to conditions on issuance. Any person who fails to comply will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six months and to a further fine not exceeding RM1,000 for every day during which the default continues.

The ICA defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but will not include any activity normally associated with retail or wholesale trade".

7.21.2 Malaysian Rubber Board (Licensing and Permit) Regulations 2014

The Malaysian Rubber Board (Licensing and Permit) Regulations 2014 regulates and prohibits, among other things, the buying, storing, selling, processing, packing or exporting of rubber, the buying and storing of rubber for the manufacture of rubber products, the exporting of rubber gloves or the buying, storing, selling, germinating, growing, planting or transplanting rubber planting materials for commercial purposes without a valid licence.

Any person who contravenes the above will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding three years or to both.

7.21.3 Environment Quality Act 1974 ("EQA"), Environmental Quality (Clean Air) Regulations 2014 ("Clean Air Regulations"), Environmental Quality (Industrial Effluent) Regulations 2009 ("Industrial Effluent Regulations") and Environment Quality (Scheduled Wastes) Regulations 2005

The EQA regulates and restricts, among other things, the levels of pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysian waters without a licence, discharge of wastes into Malaysian waters without a licence and prohibits open burning.

The subsidiary laws made under the EQA such as the Clean Air Regulations regulate, among other things, the emission or discharge of pollutants to the environment and the Industrial Effluent Regulations regulate, among other things, the discharge of industrial effluents.

The Clean Air Regulations impose an obligation on the owner or occupier of premises involved in listed activities or industries to incorporate measures to reduce the emission of air pollutants to the atmosphere and be equipped with air pollution control system in accordance with regulations.

Any person who contravenes the above will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding two years or both.

The Industrial Effluent Regulations impose on the owner or occupier of premises which discharge or release industrial effluents or mixed effluents onto or into soil or waters, the obligation to design and construct an industrial effluent treatment system in accordance with the regulations to collect and treat industrial effluents generated within such premises.

Any person who contravenes the above will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding five years or both and to a further fine not exceeding RM1,000 a day for every day during which the offence continues.

7.21.4 Factories and Machinery Act 1967 ("FMA")

The FMA imposes obligations regarding the health, safety and welfare of employees on the occupier of a factory. In particular, the occupier must ensure that:

(a) the factory maintains certain minimum standards of health and safety; and

(b) all machinery and every part thereof is of sound construction and sound material, free from defect and suitable for its intended purpose, and is properly maintained.

Any person who contravenes the above will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding one year or both. Where the offence is a continuing offence, such person will also be further liable to a fine not exceeding RM2,000 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

Any person who operates or causes or permits any machinery to be operated must also ensure that, where required, the machinery used or operated has a valid certificate of fitness, failing which such person will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding three years or both.

The FMA provides for different penalties for the various offences and breaches committed under the FMA. Depending on the severity and type of offences and breaches committed, the penalties imposed under the FMA varies in the imposition of a fine of up to RM250,000 and/or imprisonment for a term not exceeding five years and may be subject to a further fine of up to RM2,000 for each day or part of a day during which the offence continues in respect of which the conviction is recorded.

7.21.5 Occupational Safety and Health Act 1994 ("OSHA")

Generally, the OSHA imposes a duty on every employer to ensure, so far as is practicable, the safety, health and welfare of its employees at work. Such duty includes but is not limited to the following:

(a) the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health;

(b) the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances; and

(c) the formulation of a safety and health policy.

Any person who contravenes the provisions imposed on employers and self-employed persons to ensure the safety and health of employees and persons at work as stipulated in the OSHA will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding two years or both.

An occupier may also be required to employ a competent person to act as a safety and health officer at the place of work, to ensure the due observance at the place of work of the provisions of the OSHA and any regulation made thereunder. Every employer is required to establish a safety and health committee if there are 40 or more persons employed at the place of work or if directed by the Director General of Occupational Safety and Health. The safety and health committee will, among other things, at the place of work and investigate any matter at the place of work which has been brought to the attention of the employer that a member of the committee or a person employed thereat considers is not safe or is a risk to health.

Any person who contravenes any of the above will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding six months or both.

The general penalty under the OSHA provides that a person who by any act or omission contravenes any provision of the OSHA or any regulations made under the OSHA will be guilty of an offence. Where no penalty is expressly provided, the person will, on conviction, be liable to a fine not exceeding RM10,000 and/or to imprisonment for a term not exceeding one year. In case of a continuing offence, the person will be liable to a fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

7.21.6 Medical Device Act 2012 ("MDA")

The MDA is enforced by the Medical Device Authority, an agency under the MOH of Malaysia and it provides for the regulation of medical devices, the medical device industry and all matters connected thereto.

Pursuant to the MDA, all medical devices have to be registered under the MDA before they could be imported, exported or placed in the market. The MDA further provides that no establishment will import, export or place in the market any registered medical device unless it holds an establishment licence granted under the MDA.

Any person who contravenes the above will commit an offence and will, upon conviction, be liable to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding three years or to both.

7.21.7 Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("Employee's Accommodation Act") and Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 ("Employees' Accommodation Regulations")

The Employee's Accommodation Act prescribes, among other things, the minimum standards for accommodations for employees and centralised accommodations and requires employers to provide health, hospital, medical and social amenities.

The Employee's Accommodation Act imposes the duty and responsibility on employers or centralised accommodation providers to, among other things, ensure that: (i) every accommodation provided for employees ("**employee accommodation**") complies with the minimum standards required under the Employee's Accommodation Act and any regulations made thereunder; (ii) no employee accommodation will be provided to an employee unless certified with a Certificate for Accommodation ("**CfA**"); (iii) any accommodation that is unfit for human habitation in accordance with the relevant written laws are not to be used to accommodate employees; (iv) the employee accommodation has decent and adequate amenities in accordance with the Employee's Accommodation Act and any regulations made thereunder; (v) necessary preventive measures are taken to ensure employees' safety and well-being; (vi) the employees receive the necessary medical assistance; (vii) preventive measures are taken to contain the spread of infectious diseases as ordered by the Medical Officer of Health in accordance with the relevant laws and the employer will, at his own expense, make arrangements as ordered by the Medical Officer of Health so that all or any of the employees be given immunisation against any infectious disease.

Further, the Employees' Accommodation Regulations, enacted pursuant to the Employee's Accommodation Act, imposes among other things the minimum requirements for employee accommodations including the size of floor area for bedrooms and sleeping areas, the obligation on employers or centralised accommodation providers to ensure the provision of water and electricity supply as well as basic amenities which will not be shared in the employee accommodations. Any employer who contravenes the Employees' Accommodation Regulations commits an offence.

An employer who fails to obtain the CfA or fails to ensure the employee accommodation is fit for human habitation in accordance with the relevant written laws, commits an offence and will on conviction, be liable to a fine not exceeding RM50,000. Any employer who contravenes any other provision of the Employee's Accommodation Act or any regulation made thereunder or fails to carry out any order made by the Director General of Labour, will be guilty of an offence under such provision, and if no penalty is expressly provided for the offence will, on conviction, be liable to a fine not exceeding RM50,000 and to a further fine not exceeding RM1,000 a day for each day during which the offence continues.

7.21.8 Waters Act 1920 as amended by Waters (Amendment) Enactment 2009 ("WA")

Abstraction and diversion of water in the state of Perak is governed by the WA. The WA provides that no person will divert water of any river from its natural course or abstract water from any river for use of, among other things, industrial or other purposes, unless licensed to do so.

Any person who contravenes the above commits an offence and will, on conviction, be liable to a fine not exceeding RM300,000, or to imprisonment not exceeding two years or to both.

7.21.9 Street, Drainage and Building Act 1974

The SDBA is enforced by the local authorities of Peninsular Malaysia and it provides for the requirement of having a CCC or certificate of fitness for occupation ("**CF**") for the occupation of any building or any part thereof.

Under the Uniform Building By-Laws 1984 ("**UBBL**") which was issued pursuant to the SDBA, a CCC will only be issued by the local authority upon receipt of certification in relevant forms by a qualified person i.e. an architect, registered building draughtsman or engineer.

A qualified person must be satisfied that, to their best knowledge: (i) the relevant building has been constructed in accordance with UBBL; (ii) any conditions imposed by the local authority have been satisfied; (iii) all essential services have been provided; and (iv) responsibilities have been accepted for the portions that are being concerned with.

A person who occupies a premise without a CCC or CF is subject to a fine of up to RM250,000, imprisonment for a term of up to ten years, or both, under the SDBA.

7.21.10 Fire Services Act 1988 ("FSA")

The FSA provides for the effective and efficient functioning of the Fire and Rescue Department of Malaysia, for the protection of persons and property from fire risks or emergencies. The FSA provides, among other things, that a fire certificate be issued only after the designated premises have been inspected and the Fire and Rescue Department of Malaysia is satisfied that there are adequate facilities for life safety, fire prevention, fire protection and firefighting.

Where there is no fire certificate in force, the owners of such premises may become subject to a fine of up to RM50,000 and/or imprisonment of up to five years (or both) and such owners may also be required to cease the use of such premises, including by any tenants of such premises.

7.21.11 Poisons Act 1952 ("PA") and Poisons (Sodium Hydroxide) Regulations 1962 ("Poisons Regulations")

The Poisons Regulations was enacted pursuant to the PA and regulate the sale and purchase of sodium hydroxide. Any person who sells sodium hydroxide to a purchaser who does not hold a permit to purchase or buys sodium hydroxide from a seller who does not hold a licence commits an offence.

The PA provides that where any person guilty of an offence for which no other penalty is specifically provided by the regulations made thereunder, will be liable, on conviction be punishable by a fine not exceeding RM3,000 or by imprisonment for a term not exceeding one year or both. If the court is of the opinion that the nature of such act or omission with which such person is charged amounts to wilful default or culpable negligence, which endangered or was likely to endanger human life, such person will be liable, on conviction, to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding two years or both.

A permit to purchase, store and use sodium hydroxide issued by the Director of Medical Services, or any authorised licensing officer issued will state the maximum quantity of sodium hydroxide that may be purchased, the purpose of which it is required, and will expire on 31 December after the date of issue.

7.21.12 Control of Supplies Act 1961 ("CSA") and the Control of Supplies Regulations 1974 ("CS Regulations")

The CSA and the CS Regulations are enforced by the Ministry of Domestic Trade and Consumer Affairs, Malaysia ("**MDTCA**") and it provides for the control and rationing of supplies in Malaysia. Under the CS Regulations which was issued pursuant to the CSA, any person intending to purchase a scheduled article will obtain an authorisation in writing by the MDTCA permitting the purchase and storage of the scheduled article from an authorised dealer. Diesel, a scheduled article pursuant to the schedule under the CS Regulations, is utilised in the operations of our business.

7.22 Material properties and material equipment

Details of our material properties, whether owned or leased/tenanted, and our material equipment are set out in Annexure B of this Prospectus.

7.23 Material dependency on commercial contracts, agreements or other arrangements

As at the LPD, there are no contracts, agreements, other arrangements or other matters entered into by or issued to us or on which we are materially dependent, and which are material to our business and profitability.

7.24 Environmental, Social and Governance ("ESG")

7.24.1 Our commitment to ESG

In March 2021, taking into account the dynamic and continuously evolving environment in which we operate, our Board adopted a comprehensive statement relating to ESG, which covers the material aspects of our operations and reflects our core values as they relate to ESG.

7.24.2 Social

We are committed to ethical trade and business, and that commitment. In June 2019, Central Medicare became a member of Sedex, an ethical trade service membership organisation, and it has undergone two social audits in compliance with SMETA, an ethical audit methodology developed by Sedex. See Section 7.20 of this Prospectus for more details on the SMETA audit on the Group.

We are committed to the development of our people and of the community around us. We have developed learning and development programmes for our employees relating to our integrated management system, our ISO system, our HR policies and our SHE policies and protocols as well as on-the-job training and cross-functional refresher initiatives. We are also currently constructing a permanent workers' hostel to improve the social welfare of our workers.

Our focus on ESG is also reflected in our supply chain management efforts, as we expect our vendors to meet our quality standards. We require pre-qualification of potential vendors and conduct periodic performance assessments with all of our vendors.

7.24.3 Environmental

One of our core values is sustainability, and we place a strong emphasis on environmental conservation on minimising our impact on the environment. We have introduced a range of initiatives throughout our operations in order to foster a culture focused on sustainability. These include, among others:

- strict adherence to reporting requirements and approval and maintenance of all required operating licenses, registrations and approvals related to the environment;
- upgrading of our water treatment system; and
- establishing a LCA as a tool to reduce our carbon footprint.

In January 2021, our production facility was certified as being compliant with ISO14001:2015, an international quality standard that specifies requirements for an effective environmental management system. We believe that this certification helps us to improve our ongoing and future environmental performance, in particular in water management, waste and effluent management and reduction of carbon emissions through more efficient use of resources and reduction of waste.

7.24.4 Corporate Governance

We are committed to uphold the standards of corporate governance throughout the Group, with the ultimate objective of realising long-term shareholder value while taking into account the interests of relevant stakeholders. See Section 9 of this Prospectus for more details on our principles and practices in relation to corporate governance.

7.24.5 Future initiatives

Our Board is cognisant of the fact that the Group's business environment is dynamic and the Group's ESG framework must continuously evolve to keep abreast with the challenging operating environment. Therefore, the Board intends to, when necessary, direct and formulate initiatives and action plans to further elevate the Group's ESG policies, practices and framework.

7.25 Sustainability and CSR

We are committed to growing our business in a sustainable manner and have formulated a number of strategies in order to achieve this goal.

We also are involved in several types of CSR activities. In 2020, we donated a total of over 3.1 million gloves worth over RM351,000 to China, Korea and several organisations in Malaysia to protect individuals implementing the MCO. Since 2017, we have visited and made donations to orphans in the community of Teluk Intan annually. We donated to victims of flooding in Teluk Intan in 2018 and 2019. In 2018, we conducted a collaboration visit with Industrial University (UiTM Tapah Campus) to educate students on concepts relating to the manufacturing of nitrile gloves. In 2019, we donated funds for fire safety equipment for BOMBA Sukarelawan Kampung Batu 12 to enable them to better serve the surrounding community. We also provided free meals to all our employees at our manufacturing facility on certain major holidays in 2019 and 2020.

We currently host undergraduates from chemistry and other disciplines through an industrial placement programme which helps us find and hire talent. We plan to increase our direct engagement with students in the second half of 2021 by setting up an annual sponsorship or academic award for post-graduates through the Malaysia Institute of Chemistry and partnering with an institution of higher learning in Malaysia and/or Southeast Asia to provide knowledge to the next generation through an industrial-academic link programme as well as through career and motivational talks. We believe that these initiatives could also help attract future talent to our Company.

7.26 Health and safety

We place significant emphasis on the health and safety of our employees. Our manufacturing workers are encouraged to undergo health screening at least once a year based on the employment entitlement at their respective medical coverage. We comply with Malaysian employment standards for working hours. In November 2019, we underwent a SMETA 6.0 audit to ensure ethical labour conditions and occupational safety. We have multiple policies and procedures in place, including for general health and safety, hazard identification and risk assessment, fire hazard, electrical hazard, machinery hazard, chemical hazard, forklifts and for confined spaces. Each employee is briefed on these policies and procedures. Each employee is granted access to our employee handbook, which describes our Company's and employees' responsibilities for employee health and safety.

7.27 Awards

We were named as a Top 10 Fast Moving Company at the SME 100 Awards in 2017.

7.28 Key accreditations

The following table sets out the key accreditations we have received:

Name of Standard	Certifying Authority	Purpose/Scope	Validity Period
ISO 9001:2015	TUV SUD America Inc	Quality management system	15 August 2019 - 4 July 2021
ISO 13485:2016	TUV SUD America Inc	Quality management system	15 August 2019 - 4 July 2021
ISO 14001:2015	SIRIM	Environmental management system	22 January 2021 - 21 January 2024
ISO 14040:2006	Bureau Veritas	LCA	26 August 2019[1]
ISO 14044:2006	Bureau Veritas	LCA	26 August 2019[1]
BS EN 374-1:2016	SATRA Technology Centre Ltd	Performance requirements for chemical risks	9 January 2020 - 9 January 2025
BS EN 374-4:2013	SATRA Technology Centre Ltd	Resistance to degradation by chemicals	9 January 2020 - 9 January 2025
BS EN 374-5:2016	SATRA Technology Centre Ltd	Protection against blood-borne pathogens / micro-organisms	9 January 2020 - 9 January 2025
BS EN 374-2:2014	Self-Declaration based on technical report by SATRA Technology Centre Ltd	Resistance to penetration	1 March 2018[2]
EN 420:2003 + A1:2009	Self-Declaration based on technical report by SATRA Technology Centre Ltd	Protective gloves: general requirements and test methods	1 March 2018[2]
EN 455-1:2000	TUV SUD PSB Pte Ltd	Medical glove specification: freedom from holes	26 September 2019 - 25 September 2021
EN 455-2:2015	TUV SUD PSB Pte Ltd	Medical glove specification: physical properties	26 September 2019 - 25 September 2021

7. BUSINESS OVERVIEW *(Cont'd)*

Name of Standard	Certifying Authority	Purpose/Scope	Validity Period
EN 455-3:2015	TUV SUD PSB Pte Ltd	Medical glove specification: biological evaluation	26 September 2019 - 25 September 2021
CE Registration	Mdi Europa GmbH	Registration of medical devices / manufacturer	11 May 2017(3)
Medical Device License	Health Canada	License for nitrile medical examination gloves	7 February 2017 - 1 February 2022
NFPA 1999, Protective Clothing and Ensembles for Emergency Medical Operators	UL	Protective clothing and ensembles for emergency medical operations	31 January 2020 - 31 December 2021

Notes:

(1) We followed this standard in our LCA calculations, which we completed on this date.

(2) The technical report was signed on this date.

(3) The certificate was signed on this date.