



ComfortRubberGloves

80TH ANNUAL GENERAL MEETING

22 JUNE 2021

PRE-AGM QUERIES AND RESPONSES

QUESTIONS RAISED BY [TAN YEONG TAT](#)

Question 1

I noted that Mr Cheang Phoy Ken has resigned from the post of Managing Director and has sold off the majority of his shares in the Group. What is the actual reason for his departure.

[Comfort's reply to Question 1](#)

[As mentioned in the BURSA announcement, Mr Cheang Phoy Ken had opted for retirement as per service contract to pursue his own interest.](#)

Question 2

I noted that Mr Lau Joo Yong is re-designated as Group CEO. Compare to Mr Cheang, he is relatively young. How can he convince the shareholders that he has the capability to assume this role? Relationship and experience are very important in the business world.

Can the Group still maintain a good business relationship with the customers and suppliers with the departure of Mr Cheang? This is very crucial to the sustainability of the business.

[Comfort's reply to Question 2](#)

[In view that Mr Lau Joo Yong has extensive managerial and business development experience in various industries, he was appointed as Executive Director in year 2014. Since joined, he involves actively in the operation of the business. His appointment as Group CEO was nominated by Nomination Committee after taking into consideration of his expertise, skills, and knowledge of the business.](#)

[Our management team has built up a trustable and close relationship with our suppliers and customers and we are confidence that this relationship will continue.](#)

QUESTIONS RAISED BY TAN YEONG TAT (Cont'd)
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Question 3

Previously the Group are majority-owned by Cheang and Lau families. With the withdrawal of the Cheang family from the business, how can the authority in the Group be balanced out? I noticed that the veteran CFO, Ms Kok Soke Kuen, has recently ceased her role following Mr Cheang's quit.

Comfort's reply to Question 3

There is a balance of power and authority in the Board, with three Executive Directors and three independent Non-Executive Directors.

Ms Kok Soke Kuen has been redesignated as PA to Group CEO to take care of other responsibility.

Question 4

Based on the key market diagram on page 27 of the annual report, the Malaysia market occupied 41% (largest market), can I know are these customers the intermediate exporters or ultimate consumers in Malaysia? If the majority are exporters, why can't the Group deal and sell directly to overseas importers? Through an intermediary would cause the margin to be shared out unnecessarily. I will ask this question is because the market segment is different from the big 4 players whose major market is overseas and I believe is the reason why they generally have a higher gross margin.

Comfort's reply to Question 4

The local sales was mainly contributed by a wholly-owned subsidiary that purchase on behalf of an oversea holding company that has various sub brands around the world for its protective glove products. Hence, the profit margin is not shared out unnecessarily.

Comfort is a relatively small manufacturer, with our expansion plans in coming years, we will have better economic of scale and stronger bargaining power on raw material costs. We believe that we able to generate better profit margin through the cost advantages reaped by the Group.

Question 5

Recent news reported that the Group going to grow its capacity from 6.8 billion to 25.2 billion per annum. Can management specify clearly the planned capacity by years as what has been done by other bigger glove players in the annual report. This would help to gauge yearly profit.

Comfort's reply to Question 5

For each of the expansion plan that has been finalised, we will disclose in our quarterly and annual report.

QUESTIONS RAISED BY TAN YEONG TAT (Cont'd)

Question 6

With such a huge leap in capacity growth by Comfort and every other glove players around the world, how can Comfort glove maintain its competitiveness in the red sea?

Does management consider the scenario of oversupply in near future?

If this happens, what is the management strategy to maintain profitability and margin?

Comfort's reply to Question 6

Comfort will focus on specialty gloves that give us a better margin and able to diversify our market base outside medical gloves. Our machine lines are designed in such a way that it can produce both latex and nitrile gloves, regardless of specialty or medical gloves. The interchangeability of the line enables us to switch production base upon demand dynamics to avoid oversupply of a particular type of glove.

Question 7

Does the US CBP ban have any impact on the Comfort group?

How can the Group prevent this to happen?

Comfort's reply to Question 7

Currently, we are not under US CBP ban list, hence, it does not have any impact on us. SMETA Audit (Sedex Members Ethical Trade Audit) is conducted annually to ensure that labour standards, health and safety, environment and business ethics are being complied.

It is not our practice to discriminate foreign workers. The Board appreciate and value the contribution of foreign workers, hence, they are being treated equally like local workers and provided with various welfare.

Question 8

Lastly, can I urge management to use the cash reserve wisely? There are many past cases that young CEO tends to be over-ambitious that eventually/potentially causes bad investments which can be detrimental to the Group's survival in this red sea business.

Comfort's reply to Question 8

All major investment plans are being discussed and agreed by all the board members which include independent directors to ensure that all stakeholders benefit is being taking care of.

QUESTIONS RAISED BY TAN HUI SHIM

Question 1

According to ESG Ratings of PLCs assessed by FTSE Russell (June 2020), Comfort Glove is rated 2 stars out of the 4-star system. How do you plan to improve the ESG rating?

What are the key progress made in the last 12 months?

Comfort's reply to Question 1

The ESG Ratings assessment was based on annual report for the Financial Year ended 2019. In these two years, we have disclosed more information in our annual report in order to achieve higher rating.

In the last 12 months, due to Covid 19 and several movement control orders imposed, only limited activities were carried out. We will plan further to implement it in future years and certainly will increase public awareness on our ESG action.

Question 2

The Environment section of the Sustainability Statement is rather shallow and limited in scope. How do you plan to improve on environmental sustainability?

Question 3

How do you plan to contribute towards environmental sustainability of rubber as a raw material?

Comfort's reply to Question 2 & 3

There are some on-going projects to improve on environmental sustainability:

- 1) Installing of solar system and LED light to reduce electricity usage.
- 2) Installing of energy saving motors to reduce electricity consumption.
- 3) Installing of "silencer" in dipping lines to reduce noise pollution.
- 4) Installing of scrubber to remove harmful materials from exhaust gases before they are released into the environment.
- 5) Water is treated according to regulation before it is released to river.

We will continue our effort in enhancing the environmental sustainability.

QUESTIONS RAISE BY TAN HUI SHIM (Cont'd)

Question 4

What are the key categories of wastes in glove manufacturing and how do you minimise and recycle the waste?

Comfort's reply to Question 4

We classified waste into scheduled waste and unscheduled waste as per DOE regulation. For scheduled waste, it can only be disposed to a licensed waste collector. For other waste that can be recycled, we will try to dispose it to a waste collector that engage in recycling activities.

We will optimise our production and operation process to avoid any unnecessary waste of energy and resources. Our Research and Development team is conducting a study to improve on our formulation to use lesser chemicals that will generate lesser sludge to be disposed.

Question 5

The explanation given in the Annual Report regarding gender diversity at board level is appalling.

How can you increase effort to foster gender equity at board level?

Comfort's reply to Question 5

The Board would consider to implement the Gender Diversity Policy in near future.

QUESTIONS RAISED BY WONG SHIEN LOONG

Question 1

What is the average ASP for 4QYE21 (Previous qtr), 1QYE22 (Current qtr) and 2QYE22 (Next qtr) and forecasted ASP for remaining 3QYE22 and 4QYE22?

Comfort's reply to Question 1

Current overall average selling price (ASP) is around USD 70 to USD 90 per thousand pieces. We are producing a combination of medical and specialty gloves. The ASP for each quarter may change depending on the product mix sold, hence the movement of ASP may not indicate the actual increase or decrease in selling price. As mentioned earlier, we do not expect a sharp drop in the ASP in the short term as previously we did not aggressively increase our ASP. We foresee that the softening of ASP may continue until demand-supply situation gradually normalises.

Question 2

As it is now consider a booming time for glove industry, what is the specific reason for Mr Cheang Phoy Ken to resign? Will it affect Comfort operation now and in the future as the Company just lost a valuable and experienced Management which contributed to the success of Comfort Glove?

Comfort's reply to Question 2

As mentioned earlier, Mr Cheang Phoy Ken had opted for retirement as per service contract to pursue his own interest. With the experience and knowledge inherited from Mr. Cheang, our management team is committed to achieve growth and success in years to come.

Question 3

With regards to the Group's expansion plans, the Group is currently in the midst of revamping and building new production lines for 3 of its factories located in Taiping, Perak. The Group plans to dismantle 20 dipping lines and rebuilding 22 new dipping lines. The new dipping lines are capable of producing 3.9 billion gloves per annum, a 57% increase from the Group's existing capacity.

Will the Dismantling of 20 dipping lines reduce the glove capacity of 6.8 million currently? Is the total glove capacity be 6.8 billion (Current capacity) + 3.9 billion (new lines) = 10.7 billion after dismantle the 20 dipping lines?

Comfort's reply to Question 3

The 20 dipping lines to be dismantled is a single former dipping line whereas the new 22 dipping lines are double former dipping line. Hence, the production output will further increase from existing 6.8 billion pcs to 10.7 billion pcs per annum.

QUESTIONS RAISED BY WONG SHIEN LOONG (Cont'd)
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Question 4

Can you briefly elaborate on the Status, timeline for the following capacity.

	Status @ June 2021	Expected Completion	Production Capacity (Billion)
New production lines for 3 of its Factories located in Taiping			
- Plant 1		June 2021? Sep 2021?	1.3
- Plant 2		Sep 2021? Dec 2021?	1.3
- Plant 3		Sep 2021? Dec 2021?	1.3
			3.9
New production facility in Batu Gajah, Perak			
- Phase 1		June 2022?	7.25
- Phase 2		June 2022?	7.25
			14.5

Comfort's reply to Question 4

Our first plan is to dismantle 20 dipping lines and rebuilding 22 new dipping lines which are capable to produce additional 3.9 billion gloves per annum. This project has commenced in this year and expected to be completed in year 2023. Our second plan is to build a production facility in Bemban, Batu Gajah, Perak which capable of producing up to 14.5 billion gloves per annum. This project will commence in year 2023.

Upon completion of the two expansion plans, the Group's total production capacity is expected to grow to 25.2 billion gloves per annum. The timing and expansion plan may be revised depending on the demand, positive market sentiments, availability of funds and relevant approvals being obtained.