



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

23 May 2022

BY EMAIL/FAX/HAND
(Fax No. +605-5474 363)

The Board of Directors
COMFORT GLOVES BERHAD
55A, Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh, Perak Darul Ridzuan
Malaysia

Attention: Ms Chan Eoi Leng
Company Secretary

Dear Directors,

Re: 81st Annual General Meeting (“AGM”) of Comfort Gloves Berhad (“Comfort” or the “Company”) to be held on Tuesday, 31 May 2022

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following questions: -

Operational & Financial Matters

1. In the FPE 31 December 2021, the Group recorded revenue and profit before taxation of RM1,390.7 million and RM681.7 million respectively. This was mainly driven by higher average selling price. (Page 31 of AR 2021)

What were the respective average selling prices (ASPs) and volume of sales in FPE 31 December 2021 compared to ASPs and volume of sales in FYE 31 January 2021?

2. The Group's R&D is working closely with operations to continuously explore new raw material and chemicals to improve its product quality. (Page 33 of AR 2021)

What specific achievements have been made with regard to R&D not only to improve product quality but also to save costs?

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3. The Group is also continuously reviewing strategies in automation and energy saving areas to monitor performance for production lines improvements. (Page 33 of AR 2021)

What are the Group's automation and energy saving initiatives, status and achievements?

4. In the near term, the glove industry remains challenging owing to the increase in gloves supply and slower buying patterns from customer. The Group expects the Average Selling Prices (ASPs) to stabilise with lower profit margin. (Page 33 of AR 2021)

Currently, to what extent has the Group experienced drops in demand? How much has the ASP declined currently from the average ASP in FPE 31 December 2021?

5. With an increase of segmentation in the rubber gloves market, the Group is developing more specialty gloves to differentiate itself from others. The Group believes that there is potential to grow its specialty glove segment as consumers' focus and emphasis on hygiene and sanitation increases due to the COVID-19 pandemic. (Page 33 of AR 2021)

How much success has the Group achieved in developing more specialty gloves and what are the types? What percentage of its glove production comprises specialty gloves and how is the demand?

6. The Statement of Financial Position shows that as at 31 December 2021, the Group has Other investments of RM112.891 million, Cash and cash equivalents RM221.348 million, and Loans and borrowings totalling RM 94.853 million. (Pages 57, 58 of AR 2021)

(a) What is the average rate of return for the Group's Other investments?

(b) Why is the Group holding so much Other investment and Cash and cash equivalents which yields very low interest rate returns while still having substantial borrowings which have higher interest rates?

7. Group revenue increased by 46.9% from RM946.447 million in FYE 31 January 2021 to RM1,390.655 in FPE 31 December 2021. However, selling and marketing expenses rose significantly by 115.5% from RM8.228 million to RM17.728 million and

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administrative expenses escalated by 295.9 % from RM33.433 million to RM132.373 million. (Page 59 of AR 2021)

Why were there such significant increases in selling and marketing expenses and administrative expenses which did not commensurate with the increase in Group revenue?

8. Impairment loss for Trade receivables amounted to RM3.221 million for FPE 31 December 2021 (FYE 31 January 2021: No impairment) and bad debt written off totalled RM1.102 million (FYE 31 January 2021: RM96,816). (Pages 90, 103 of AR 2021)

Why were there significant increases in impairment loss and bad debt written off?

What is the probability of recovering the impaired loss amount? Is there a need to review the credit risk management policies?

9. For FPE 31 December 2021, inventories written down and written off totaled RM13.262 million and RM4.217 million respectively while there was no such write-down or write-off for FYE 31 January 2021. (Page 104 of AR 2021)

Why was there such significant inventories write-down or write-off? What is the estimated amount that may be salvaged from the written down inventories? Is there a need to review the inventories management policies?

10. On 9 March 2022, the Company announced to Bursa Malaysia Securities Berhad that the Company had on the same date, entered into a conditional Share Purchase Agreement ("SPA") for the acquisition of 100,000 ordinary shares in Goldhill Melody Sdn Bhd of 100% of the equity for a total cash consideration of RM 25,750,000. (Page 135 of AR 2021)

What is the main objective of the acquisition? What value-add or value accretion can the Company derive from the acquisition?

Corporate Governance Matters

1. The cost incurred for the Internal Audit function of the Group for the financial period ended 31 December 2021 was RM18,000. (Page 38 of AR 2021)

Given that the fee is unusually small (approximately only RM700 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?

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The amount is the same as in FYE 31 January 2021 and the same issue had been raised at the previous AGM.

2. Total remuneration for Executive Directors (3 EDs) increased significantly by 457.3% from RM15.092 million in FYE 31 January 2021 to RM84.104 million in FPE 31 December 2021. For the same corresponding periods, there was also a huge increase in total remuneration for non-executive directors (3 NEDs) by 210.3% from RM231,007 to RM716,800. (Page 104 of AR 2021)

Group revenue increased by 46.9% from RM946.447 million to RM1,390.655 million while profit after tax rose by 50.4% from RM280.2 million to RM421.5 million.

Please justify the huge increases in remuneration for both EDs and NEDs where the increases do not commensurate with the increases in Group revenue and profit after tax.

Please present the questions raised herein, and the related answers, to the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



Devanesan Evanson
Chief Executive Officer

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