



# COMFORT GLOVES BERHAD (199701000006 (852-D))

Lot 821, Jalan Matang, 34750 Matang, Taiping, Perak Darul Ridzuan.

Tel: 05-8472777 / 05-8472888

Fax: 05-8479 108

20 June 2022

## Minority Shareholders Watch Group

Level 23, Unit 23-2,  
Menara AIA Sentral,  
No. 30, Jalan Sultan Ismail,  
50250 Kuala Lumpur.

Attn: Chief Executive Officer

**Re: 81st Annual General Meeting (AGM) of Comfort Gloves Berhad (Comfort) to be held on Tuesday, 31 May 2022.**

---

With reference to your letter dated 23 May 2022, please find below responses to your queries:

-

### Strategy/Financial Matters

1. The sales volume for Financial Period Ended 31 December 2021 has decreased by 15% compared to Financial Year Ended 31 January 2021. The decrease in sales volume was mainly due to the 11 months period for Financial Period Ended 31 December 2021 and the Enhanced Movement Control Order (EMCO) at the manufacturing site (August 2021). The average selling prices (ASPs) for Financial Period Ended 31 December 2021 has increased by 72% compared to Financial Year Ended 31 January 2021.

2. The Group has initiated testing of 7 types of raw materials from 5 suppliers. Out of which, 1 of them was successful, 3 were rejected, and 3 were in-progress.

The Group also tested 3 types of new chemicals from 3 suppliers and all of them were successful. The initiative was aimed at overcoming the shortage of chemicals in the market.

3. The automation and energy savings initiatives of the group can be summarised as below:

Initiatives	Status
Solar System (Old)	Completed
Solar System (New)	In process of getting approval from authority
Rain Harvesting System	In process of installation
Semi-Auto Packing Machine	In process of testing and commissioning for the test unit



## COMFORT GLOVES BERHAD (193701000006 (852-D))

Lot 821, Jalan Matang, 34750 Matang, Taiping, Perak Darul Ridzuan.

Tel: 05-8472777 / 05-8472888

Fax: 05-8479 108

4. As the information requested is considered as Insiders Information at this point of time, we can only provide the information after the 2022 Quarter 1 result being released.
5. The Group is currently producing 2 types of specialty gloves. The specialty gloves have different surface textures, weights and/or use for different applications compared to the conventional medical examination gloves.

Currently the specialty gloves output is approximately 10% of our total output.

Most of these specialty products are in OEM brand and we are working with our customers to strengthen the demand for these products.

6. (a) The average rate of return for the Group's Other investments was approximately 1.3% - 7.5% p.a.
- (b) The term loan reduced from RM18 million to RM16 million compared to Financial Year Ended 31 January 2021. The increase in bank borrowings was mainly attributable to bills payables, which increased from RM36 million to RM78 million compared to Financial Year Ended 31 January 2021. The Group needs to continue to use its bank borrowings to maintain its banking facilities and to ensure that sources of financing are available when needed.

The Group is always looking for opportunities to strengthen its earnings and to manage its cash flow effectively.

7. The increase in marketing expenses was primarily due to an increase in carriage outwards costs, custom duties and sales commissions. This was due to the increase in global freight costs and the hiring of sales agents who can bring in sales to help increase the Group earnings.

Whereas the increase in administrative expenses mainly attributable to the increase in directors' remuneration, inventories written down/written off and allowance for doubtful debts.

8. The bad debts written off was mainly for a customer whose owner has passed away. The customer has planned to wind-up the business. In order to minimise losses, the Group has negotiated a settlement plan with the customer. The difference between the settlement plan and the original sales value was posted as bad debts written off.



## COMFORT GLOVES BERHAD (193701000006 (852-D))

Lot 821, Jalan Matang, 34750 Matang, Taiping, Perak Darul Ridzuan.

Tel: 05-8472777 / 05-8472888

Fax: 05-8479 108

Impairment loss was accrued for customers with long outstanding period. As of to date, the Group has successfully recovered RM1 million from these customers.

9. The inventories written off was primarily due to the damage of gloves in flood that occurred in Quarter 3 2021.

The written down of inventories was mainly due to the aging of inventories and lower net realisable value of the inventories as the ASPs declined. This is in line with the requirements of MFRS 102.

The management reviews the inventories management policy on a regular basis and makes necessary adjustments to the policy when necessary.

10. The justification is the same as the announcement dated 9 Mar 2022. We include the following for reference.

The Group is constantly identifying and seeking opportunities to improve its earnings and strengthen its asset base. As at 31 December 2021, the Group has total unaudited cash and bank balances of approximately RM334.2 million. The Group intends to utilise some of its cash and bank balances to undertake the Proposed Acquisition to acquire the Land for investment purposes.

Considering that property prices have been compressed in recent years due to the Covid-19 pandemic, the Board believes that this is an opportune time for the Group to invest in the Land before property prices fully recover. The Group believes that the prospects of the Land contemplated under the Proposed Acquisition is good and the investment to redeploy some of its funds towards capital assets may allow the Group to benefit from potential capital appreciation in the future.

### **Corporate Governance Matters**

1. The Internal Audit Fee was RM18,000 for the financial period which comes to approximately RM1,500 per month.

The Audit Committee regularly reviews the Internal Audit Programme which details the audit areas, audit scope and timing of internal audit.

The Audit Committee also reviews the findings of the Internal Audit Report with management's response to the findings, corrective actions taken and follow-up on previous audit findings.

The Audit Committee will make adjustment to the audit areas, audit scope and timing of the audit as and when necessary to ensure adequate coverage and effective performance



## **COMFORT GLOVES BERHAD** (193701000006 (852-D))

Lot 821, Jalan Matang, 34750 Matang, Talping, Perak Darul Ridzuan.

Tel: 05-8472777 / 05-8472888

Fax: 05-8479 108

of the audit function. The Audit Committee will also perform an annual assessment of the performance of the Internal Auditors including an assessment of their suitability and independence in the discharge of their responsibilities.

### **2. Executive Directors' Remuneration**

The remuneration of Executive Directors was determined after considering:

- Position and scope of work
- Business strategy and long-term objectives of the Company
- Complexity of the Company's activities
- Performance
- Number of years of service
- Experience
- Salary based in industry standard

The revenue for Financial Period Ended 31 December 2021, which represents only 11 months' revenue, has increased by RM444 million compared to Financial Year Ended 31 January 2021. The Executive Directors' remuneration for Financial Period Ended 31 December 2021 increased RM69 million compared to Financial Year Ended 31 January 2021. The increase in Executive Directors' remuneration accounted for approximately 15.5% of the increase in revenue.

### **Non -Executive Directors' Remuneration**

There is no change in the basis of computation relating to Non-Executive Directors' Remuneration for this financial period as compared to Financial Year Ended 31 January 2021 which was approved by the shareholders on 22 Jun 2021.

The increase in Non-Executive Directors Remuneration was mainly due to the under-provision of approximately RM200K in the last financial year (31 January 2021) based on the provision made in the last audited account compared to the amount approved at the last Annual General Meeting. The under-provision was adjusted in the audited account of Financial Period Ended December 2021.



# COMFORT GLOVES BERHAD (193701000006 (852-D))

Lot 821, Jalan Matang, 34750 Matang, Taiping, Perak Darul Ridzuan.

Tel: 05-8472777 / 05-8472888

Fax: 05-8479 108

## Reconciliation of Non-Executive Directors Fees

	<u>Financial Period Ended</u> <u>31 December 2021</u> (RM)	<u>Financial Year Ended</u> <u>31 January 2021</u> (RM)
Fees	627,000	148,000
Other Emoluments	89,800	83,007
As Per Annual Report	716,800	231,007
Under Provision of Fees For Financial Year Ended 31 January 2021	(202,000)	202,000
Fees classified as Executive Directors' Fee for FYE Jan 21 (Note 2)	-	75,000
	<u>514,800</u>	<u>508,007</u>

### Note 1

	<u>Financial Year Ended</u> <u>31 January 2021 (RM)</u>
Fees for FYE 31 January 2021 as per audited account	
- Executive Directors	75,000
- Non-Executive Directors	148,000
Total	<u>223,000</u>
Less: Total fees as approved in the previous AGM Under Provision	<u>(425,000)</u> <u>(202,000)</u>

### Note 2

Mr. Lau Joo Pern relinquished as member of Audit Committee, Nominating Committee and Remuneration Committee due to redesignation from Non-Independent Non-Executive Director on 7 January 2021. Mr. Khoo Chie Yuen, an Independent Director was appointed to the Audit Committee, Nominating Committee and Remuneration Committee on 7 January 2021.

Thank you.

Yours sincerely,

**Tan Sri Lau Eng Guang**  
Executive Chairman