



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

27 May 2024

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 : 83rd Annual General Meeting (AGM) of Comfort Gloves Berhad (Comfort) to be held on Monday, 27 May 2024.

With reference to your letter dated 15 May 2024, please find below responses to your queries: -

Operational and Financial Matters

1. “Furthermore, the rubber gloves industry had to deal with the increasing production cost arising from the hike in labour costs following the first full financial year implementation of the minimum wage policy in accordance to Minimum Wages Order 2022” (Page 11 of Annual Report 2023 “AR2023”)

The personnel expenses decreased from RM60.22 million in FY 2022 to RM49.27 million in FY 2023 (Page 116, Notes to the Financial Statements)

(a) What percentage of the increase in staff costs was attributable to compliance with Minimum Wages Order 2022?

(b) Despite the increase in labor costs, personnel expenses decreased substantially in FY 2023. What are the reasons for this decrease?

Our Response to Question 1

(a) In order to be in compliance with the Minimum Wages Order 2022, the Staff Cost Per Glove has increased by 24%.

(b) The substantial decrease in personnel expenses in FY2023 was due to a reduction in Annual Quantity Produced when compared to FY2022, which resulted in a decrease in headcount and overtime cost incurred.



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2. “In our pursuit of innovation, we place a strong emphasis on research and development, continuously striving to push the boundaries of technological advancement.” (Page 14 of AR2023)

How much was spent on the research and development during FY 2023?

What were the outcomes of the research and development efforts?

Our Response to Question 2

The total amount spent on Research and Development during FY 2023 was approximately RM0.5 million.

The Research and Development activities in FY2023 has contributed significant advancements in several key areas:

- Product Quality and process improvements
- Qualifying New Materials Suppliers
- New products development

3. “In an effort to enhance our competitive edge, we have implemented various measures such as develop new products to distinguish the Group from other glove manufacturers and review on product costing regularly to ensure cost efficiency.” (Page 19 of AR2023)

(a) What are the new products that the Group has developed during FY 2023?

(b) How much did these new products contribute to the Group’s revenue during FY 2023?

Our Response to Question 3

(a) During FY2023, the Group developed several new products, which includes:

- Neoprene + Nitrile Gloves.
- Bio-degradable Gloves.
- Type A Chemical Resistant Gloves
- Food Safe Formulation Black Nitrile
- Low Derma Formulation

Among these, some products have been successfully materialized as revenue, contributing to the Group's sales and some are still in the progress of developing, testing, and certifying.

(b) These new products contributed approximately RM 0.963 million to the Group’s revenue during FY 2023.



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4. “The Group incurs foreign currency risk on sales and purchases that are denominated in United States Dollar. We manage those material foreign currency transactions through forward exchange contracts.” (Page 20 of AR2023)

What is the cost associated with using forward exchange contracts to manage foreign currency risk?

Our Response to Question 4

There is no cost associated with using forward exchange contracts to manage foreign currency risk.

- 5 “Effective cost management and automation of operations stand out as our strategic approaches to address cost challenges, allowing streamlined processes and heightened our business efficiency.” (Page 20 of AR2023)

- (a) How many percent of the operations have been automated to date?
- (b) How has the automation impacted overall operational efficiency, and are there any metrics to quantify this improvement?

Our Response to Question 5

- (a) It is estimated approximately 20% of the operations have been automated to date.
- (b) The automation is expected to improve the product quality, reduce human errors and improve production process efficiency. As the Group is in the early stage of evaluating the feasibility of these automation processes, no significant improvements can be quantified in FY2023.



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Sustainability Matters

- 1 “According to the 12th Malaysia plan, Malaysia has set a target in rebuilding a resilient economy for a prosperous, inclusive, and sustainable country by 2025. This is to be achieved in a manner that includes being resilient, low-carbon use and resource-efficient. These can be attained with the help of green growth, which CGB has already begun to do.” (Page 22 of AR2023)

What are the major sustainability risks facing the Group's operations? How does the Group plan to mitigate these sustainability risks?

Regarding low-carbon use and in line with the national target, what are the Group’s major KPIs and targets for 2023? What have been the achievements to date?

Our Response to Question 1

- (a) Major sustainability risks faced by the Group and the mitigation strategies were outlined in Page 25 of the Annual Report 2023.
- (b) The Group has not set any major Key Performance Indicators (KPIs) and targets for low-carbon use in 2023. However, the Group’s ESG achievements to date were reported in Page 30 – 43 of the Annual Report 2023.

Thank you

Yours sincerely

Lau Joo Yong
Group Chief Executive Officer