



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

12 June 2021

BY 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: Chan Eoi Leng
Company Secretary

Dear Directors,

Re: 80th Annual General Meeting (AGM) of Comfort Gloves Berhad (Comfort) to be held on Tuesday, 22 June 2021

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

Operational and Financial Matters

1. In the financial year under review, the Group's revenue increased by 85% from RM510.7 million to RM946.4 million driven by higher sales volume and average selling price. Gross profit margin has surged from 13% in FY2020 to 43% in FY2021. Similarly, profit before tax margin has also risen sharply from 8% to 38%. (Page 28 of Annual Report - AR).
 - (a) What percentage of the revenue increase is attributed to higher sales volume?
 - (b) Are the gross profit and profit before tax margins expected to sustain in FY2022? If not, why?
2. The Group's remaining capital commitment on property, plant and equipment for FYE 2021 amounted to RM39.4 million for installation of new production lines, glove stripping and stacking machines and auxiliary and ancillary equipment in addition to production lines. After this, the Group plans to build a production facility in Bemban, Batu Gajah, Perak. (Page 29 of AR).

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia . Company No:524989-M)

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When are the new production lines and the production facility in Bemban expected to be operational? What is the current utilization rate and the expected rate when the production facility is operational?

3. To be more cost competitive, the Group has invested in auto-palletising machines to increase the packing productivity. An energy saving system is installed to reduce natural gas consumption. The Group is continuously reviewing strategies in automation and energy saving areas to monitor performance for onward improvements. (Page 29 of AR)
 - (a) To what extent have auto-palletising machines and automation improved productivity (state figures)?
 - (b) What percentage of energy saving has the Group experienced in reducing natural gas consumption?
4. The Group is noticing an increase of segmentation and differentiation in rubber gloves market leading to an increase in demand for specialty gloves. CGB Group believes that there is potential to grow its specialty glove segment as consumers' now focus and emphasise on hygiene and sanitation due to the COVID-19 pandemic. (Page 30 of AR)

Is the Group planning to concentrate solely in specialty examination gloves? Does the Group have plans to produce other types of gloves?
5. At Group level, there was a sharp increase in both cash at banks and on hand (FY2021: RM101.983 million, FY2020: RM32.920 million) and short-term investments (FY2021: RM22.582 million, FY2020: RM1.944 million). (Page 97 of AR)
 - (a) What do the short-term investments comprised of? What is the average annual rate of return?
 - (b) What is the average annual rate of return of cash at banks?
6. What is the current average selling price (ASP) compared to that of 6 months or a year ago? What is the outlook for the next 6 months and one year?

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Corporate Governance Matters

1. Practice 4.5 of Malaysian Code on Corporate Governance stipulates that the board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

The Company departed from the Practice and explained that none of the Directors is a female. The Board has no immediate plan to implement a gender diversity policy or target as the Board views that any new appointment to the Board shall be based on the candidate's area of expertise, skills, educational background as well as other factors that might provide the Board with a broader range of viewpoints and perspective.

MSWG's Comments:

It should be viewed with concern that the Board does not comprise even a single woman director and also has no immediate plan to implement a gender diversity policy or target. Measures should be expedited to adopt the Practice.

2. The cost incurred for the Internal Audit function for the financial year ended 31 January 2021 was RM8,000. (Page 34 of AR)

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?

3. Under Ordinary Resolution 7, it is proposed that Messrs KPMG PLT be appointed as Auditors of the Company in place of the outgoing Auditors, Messrs Baker Tilly Monteiro Heng PLT.

What was the reason for Messrs Baker Tilly Monteiro Heng PLT not seeking re-appointment? Is the Company aware of any reasons for the change in auditors?

Please present the questions raised above and your responses at the AGM. In the meantime, we also request a written response to us as soon as possible for our reference.

Yours faithfully,

DEVANESAN EVANSON
Chief Executive Officer
DE/CCF/COMFORT/AGM 2021