



COMFORT GLOVES BERHAD (193701000006 (852-0))

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

Tel: 05-8472777 / 05-8472888

Fax: 05-8479 108

16 June 2021

Minority Shareholders Watch Group

Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan,
50200 Kuala Lumpur.

Attn: Chief Executive Officer

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

With reference to your letter dated 12 June 2021, please find below responses to your queries: -

Strategy/Financial Matters

1. (a) 25% increase in revenue is attributed to higher sales volume.
(b) We do not foresee a drop in current sales volume unless affected by global shipping situation. No doubt that the softening of ASP will lower our gross profit and net profit margin, however, the margin of specialty gloves will not drop dramatically as compared to lower weight examination gloves which all the new players are running.
2. Production facility in Bemban is expected to be initiated in year 2023. Currently, we are running at optimum capacity. The plan of Bemban production lines will take into consideration of increase in customer's orders, hence, we do not expect any idle capacity of new production facility.
3. (a) The auto-palletizing machines and automation in on-line packing improved packing productivity by 40% as compared to off-line packing.
(b) The Group managed to save 7% of the gas consumption.
4. Our focus in specialty gloves is to gain better competitive advantage and diversify our market base. The orders from customer may consist of a mix of both general examination gloves and specialty gloves, hence, we are unable to concentrate solely in specialty gloves. Should there is a demand of other types of gloves, we will consider producing it after taking into consideration of the availability of expertise, investment cost and its return.

5. (a) The short-term investment comprised of investment in money market fund. It has average annual rate of return between 2% to 3% per annum.
- (b) Average annual rate of return of cash at banks is about 0% – 1.4% per annum.
6. Current overall average selling price (ASP) is around USD 70 to USD 90 per thousand pieces. 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.

Corporate Governance Matters

1. The Nominating Committees took cognizant of MSWG's comments, and the Board would also consider to implement the Gender Diversity Policy in near future.
2. Due to several movement control orders announced by government, some of the planned outsourced internal audits were postponed especially during the period whereby there were few glove companies shutdown due to upsurge of Covid-19 cases. Our Quality Assurance team did perform an internal audit which cover all the operations and there was no significant risk or weaknesses being highlighted to the Audit Committee.

In order to meet the Medical Device Single Audit Program (MDSAP) requirements, we have changed our certification body from SGS United Kingdom Ltd (SGS) to BSI Group The Netherlands B.V. (BSI). The meeting of MDSAP requirements enable us to export to Canada, United State, Australia, Japan and Brazil. It took us months to review and assess all the operation procedures and to update ISO documents to align with the new requirements. During this period of review, it is not advisable to have any audit on operations. Subsequently, the audit was carried out by BSI and we were granted with the certification.

In view of the above, we are confident that there are adequate and effective internal control in place. In this financial year, we will conduct our internal audit as usual and will cover all significant risk areas.

3. Messrs Baker Tilly Monteiro Heng PLT is not seeking reappointment because we have informed them on the Major Shareholder's intention of changing auditor.

Messrs Baker Tilly Monteiro Heng PLT has been our Company's Auditors since 2008 and has provided their professional service for more than 10 years, hence, it would be a good corporate governance practice to change to a new auditor to ensure the independence of the auditor.

KPMG is one of the four largest independent professional service providers in the world. The Board believe that the changing of auditor to KPMG will bring greater benefits to our stakeholders in terms of reporting and compliance of applicable accounting standards.

Thank you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lau Joo Yong', with a small dot at the end of the stroke.

Lau Joo Yong
Group Chief Executive Officer