

EVERSAFE RUBBER BERHAD (1133877-V)
(Incorporated in Malaysia under the Companies Act, 1965)

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EVERSAFE RUBBER BERHAD (1133877-V) (Incorporated in Malaysia under the Companies Act, 1965)

ANNUAL REPORT 2017

ANNUAL REPORT

2017



永安橡胶
EVERSAFE RUBBER BERHAD
(1133877-V)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Dr. Sak Cheng Lum
(Independent Non-Executive Chairman)

Dato' Seri Cheah Eu Kiat
(Executive Director)

Eu Ah Seng
(Executive Director)

Cheah Siang Tee
(Chief Executive Officer / Executive Director)

Cheah Eu Lee
(Non-Independent Non-Executive Director)

Ng Meng Kwai
(Senior Independent Non-Executive Director)

Haji Mohd Isa bin Haji Talib
(Independent Non-Executive Director)

Ong Beow Chieh
(Independent Non-Executive Director)

AUDIT COMMITTEE

Ng Meng Kwai
(Chairman)
Tan Sri Dato' Dr. Sak Cheng Lum
(Member)
Haji Mohd Isa bin Haji Talib
(Member)

REMUNERATION COMMITTEE

Tan Sri Dato' Dr. Sak Cheng Lum
(Chairman)
Haji Mohd Isa bin Haji Talib
(Member)
Dato' Seri Cheah Eu Kiat
(Member)

NOMINATING COMMITTEE

Tan Sri Dato' Dr. Sak Cheng Lum
(Chairman)
Cheah Eu Lee
(Member)
Ng Meng Kwai
(Member)

COMPANY SECRETARIES

Wong Wai Foong (MAICSA 7001358)
Lim Hooi Mooi (MAICSA 0799764)
Ong Wai Leng (MAICSA 7065544)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel: +603 2783 9191
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Lot 94, Lebuhr Portland
Tasek Industrial Estate
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Fax: +605 291 1699
Email: enquiry@eversafe.com.my
Website: www.eversafe.com.my

SPONSOR

Mercury Securities Sdn Bhd
L-7-2, No 2 Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur
Malaysia
Tel: +603 6203 7559
Fax: +603 6203 7560

AUDITORS

BDO (AF: 0206)
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia
Tel: +604 227 6888
Fax: +604 229 8118

SOLICITORS

Teh & Lee
A-3-3 & A-3-4, Northpoint Offices
Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur
Malaysia
Tel: +603 2283 2800
Fax: +603 2283 2500

PRINCIPAL BANKERS

Public Bank Berhad
46-52, Jalan Yang Kalsom
30250 Ipoh
Perak Darul Ridzuan
Malaysia

Hong Leong Bank Berhad
Lot A-G-2 (Ground Floor)
No. 1, Persiaran Greentown 2
Greentown Business Center
30450 Ipoh
Perak Darul Ridzuan
Malaysia

OCBC Bank (Malaysia) Berhad
2, Jalan Dato Maharajalela
30000 Ipoh
Perak Darul Ridzuan
Malaysia

Malayan Banking Berhad
No. 5, Jalan Todak 2
Bandar Baru Seberang Jaya
13700 Seberang Jaya
Pulau Pinang
Malaysia

SHARE REGISTRAR

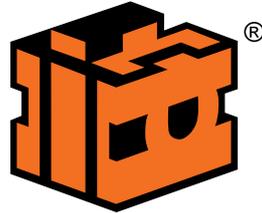
Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
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Tricor Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
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Malaysia

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad
Stock Code: 0190
Stock Name: ESAFE

CORPORATE STRUCTURE



永安橡胶
EVERSAFE RUBBER BERHAD
(1133877-V)

(Incorporated in Malaysia under the Companies Act, 1965)

100%



Eversafe Rubber Works Sdn Bhd

100%



Eversafe Trading Sdn Bhd

100%



Eversafe Trading (Shanghai) Co Ltd

100%



Jiaxing YongAn Rubber Co Ltd

100%



Supreme Good International Limited

100%



Olympic Retreads (M) Sdn Bhd

CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

On behalf of the Board of Directors ("Board") of Eversafe Rubber Berhad ("Eversafe Rubber" or our "Company"), I am pleased to present to you the Annual Report and audited financial statements for the financial year ended ("FYE") 31 December 2017.

HIGHLIGHTS

2017 represents a momentous year for our Company as it marked the successful listing of Eversafe Rubber on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The successful Listing of Eversafe Rubber on 21 April 2017 ("**Listing**") is the result of the dedication and efforts of the promoters and management of Eversafe Rubber and its subsidiaries ("**Group**") since our Group commenced operations in 1967. Our Listing marks the beginning of a new chapter with exciting times ahead for all our stakeholders, providing a platform to reach for greater heights.

In conjunction with the Listing, Eversafe Rubber issued 48,000,000 new ordinary shares in Eversafe Rubber ("**Shares**") at RM0.36 per Share, of which 12,500,000 Shares were made available for subscription by the Malaysian public ("**Balloting Portion**"), 11,500,000 Shares for the Directors of Eversafe Rubber, eligible employees and persons who have contributed to the success of the Group and 24,000,000 Shares for subscription by way of private placement to institutional and selected investors. We were humbled by the overwhelming response to the Balloting Portion, whereby we received a total of 13,194 applications for 824.93 million Shares, representing an oversubscription rate of approximately 65 times.

In addition to the above corporate development, Eversafe Trading Sdn Bhd, our wholly-owned subsidiary, had on 3 July 2017, entered into a Distributorship Agreement with Carl Zeiss Optotechnik GmbH ("**ZEISS**"), a German company, for the appointment of Eversafe Trading Sdn Bhd as the distributor of ZEISS's INTACT Tire Inspection Systems and related spare parts within Malaysia, Singapore, Thailand, Vietnam, Philippines, Laos and Cambodia on an exclusive basis as well as

Australia, New Zealand, Indonesia and Japan on a non-exclusive basis ("**Distributorship**" or "**Distributorship Agreement**"). The INTACT Tire Inspection Systems, equipped with shearography technology, provide non-destructive testing and inspection of tyres and are used by retreaders and new tyre manufacturers around the world to identify defects in tyre casings prior to the retreading process. The Distributorship is expected to contribute positively to the earnings of the Group over the period of the Distributorship Agreement.

During the financial year under review, our wholly-owned subsidiary, Supreme Good International Limited, commenced its tyre retreading operations in Hong Kong. This represents an expansion of our Group's downstream activities and geographical footprint by improving our sales and distribution capabilities in Hong Kong.

PERFORMANCE REVIEW

Our Group increased revenues by RM16.1 million or 21.6%, from RM74.7 million for the FYE 31 December 2016 to RM90.8 million for the current financial year under review. Our Group's increase in revenue for the financial year under review was mainly due to the increase in sales recorded for our tyre retreading materials, in particular pre-cured tread liners which is the main product of our Group. The said increase in sales was attributable to the increase in the quantity sold.

CHAIRMAN'S STATEMENT

cont'd

However, our Group's profit before taxation decreased by RM9.3 million or 88.6% from RM10.5 million for the previous financial year to RM1.2 million for the FYE 31 December 2017. The decrease in operational profitability in spite of the increase in revenue for the financial year under review can be attributed to the following factors:

- (i) Increase in the overall cost of raw materials, namely polymers and chemicals as compared to the previous financial year which resulted in a decrease of gross profit margins from 25.6% to 18.3% for the financial year under review;
- (ii) Decrease in other operating income of RM2.0 million or 64.5% mainly due to the decrease in gain on foreign exchange recognised;
- (iii) Increase in distribution costs of RM0.9 million or 18.0% mainly due to increased freight charges as a result of increased sales; and
- (iv) Increase in other operating expenses to RM1.2 million from RM0.1 million mainly due to losses on foreign exchange realised and the impairment loss on trade receivables.

In addition to the above, our Group also incurred a one-off expenditure for Listing expenses which amounted to RM2.4 million charged out to our profit or loss account.

PROSPECTS

The Board and the management of the Group are optimistic of our prospects for the financial year ending 31 December 2018 considering the growth strategies lined up.

A major component of our growth strategy is to increase our export sales and our geographical footprint to various overseas markets outside the South East Asian region, focusing on South America and Europe. We can already count more than 20 countries as customers for our products and we intend to continue to grow our geographical footprint in order to develop our brandname. Towards this, our management is in the midst of finalising the details of a joint venture agreement to establish a tyre retreading business which will carry out production, marketing and distribution of retreaded tyres in South America. In addition, we also intend to set up a distribution and marketing office with a storage facility in Eastern Europe to better serve our existing and potential customers in the European market.

Another area of focus for our management team is organic growth through enhancements in our manufacturing processes. Our management has identified certain processes where automation and power assistance will be introduced which will allow

our Group to utilise our labour force more efficiently and maximise our production capacity and capabilities. In addition, our management intends to increase our range of tyre retreading products as well as offering our manufacturing expertise to other industries. We have earmarked RM12.58 million from the proceeds raised from our initial public offering for this initiative, of which approximately RM9.0 million has been utilised as at 31 December 2017. It is anticipated that the enhancements in our manufacturing processes will begin to benefit our Group's financial performance in the financial year ending 31 December 2018.

Premised on the above, the Board is continuously optimistic on the prospects of the Group.

DIVIDENDS

As stated in our Company's Prospectus dated 31 March 2017, it is our Board's intention to recommend and distribute dividends of between 40% and 60% of our Group's profit after taxation attributable to the shareholders of our Company (excluding non-recurring items) in the near future. For the current financial year under review, our Company declared dividends of RM4.3 million, equivalent to a dividend of 1.8 sen per Share. The said dividend was announced on 17 May 2017 and paid on 14 July 2017 to shareholders registered in the Company's register as at 30 June 2017.

ACKNOWLEDGEMENTS

I would like to convey my sincere gratitude to the Board of Directors and management of Eversafe Rubber who have worked tirelessly towards the successful Listing of Eversafe Rubber on the ACE Market of Bursa Securities. On behalf of the Board of Directors of Eversafe Rubber, I would like to thank our principal adviser and sponsor, as well as the other advisers and consultants including our solicitors, our company secretaries, our reporting accountants and auditors, our independent market researcher, the issuing house and share registrar as well as our management team who have shown great dedication in making the Listing successful. The Listing is a significant milestone for our Group and all your contributions will not be forgotten.

Last but not least, I would also like to extend our sincerest appreciation to our shareholders, suppliers, bankers and customers for your continuous and on-going support of the Eversafe Rubber Berhad group of companies.

Tan Sri Dato' Dr. Sak Cheng Lum
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Eversafe Rubber Berhad (“**Eversafe Rubber**” or our “**Company**”) was incorporated as a private limited company on 5 March 2015 under the name Eversafe Rubber Sdn Bhd. On 24 June 2016, our Company was converted into a public limited company to facilitate our listing on the ACE Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and assumed our present name. The principal activity of Eversafe Rubber is that of investment holding while the Eversafe Rubber group of companies (“**Group**”) is principally involved in the development, manufacturing and distribution of tyre retreading materials and tyre retreading operations.

As an integral part of our listing exercise, our Company completed the acquisition of the entire equity interest in Eversafe Rubber Works Sdn Bhd on 28 May 2016 for a total consideration of RM48,148,447 which was satisfied via the issuance of 192,593,788 new shares in our Company (“**Shares**”) at an issue price of RM0.25 each.

Subsequently on 31 March 2017 we undertook an initial public offering which consisted of a public issue of 48,000,000 new Shares together with an offer for sale of 30,000,000 existing Shares, both at an issue price of RM0.36 per Share. The entire issued and paid-up capital of Eversafe Rubber consisting of 240,593,796 Shares was successfully listed on the ACE Market of Bursa Securities on 21 April 2017.

BUSINESS AND OPERATIONS

Our subsidiaries, namely Eversafe Rubber Works Sdn Bhd, Eversafe Trading Sdn Bhd, Eversafe Trading (Shanghai) Co Ltd, and Jiaxing YongAn Rubber Co Ltd are involved in the development, manufacturing and distribution of tyre retreading materials whilst Olympic Retreads (M) Sdn Bhd and Supreme Good International Limited carries out tyre retreading operations.

Development, manufacturing and distribution of tyre retreading materials

Our tyre retreading materials primarily comprise rubber compounds which are developed and formulated in-house, using a combination of raw materials blended to achieve qualities that are appropriate to the specific performance requirements of each type of tyre, according to customer requirements. Our manufacturing operations are carried out in 3 locations, namely Ipoh, Perak and Jiaxing, the People’s Republic of China. The main raw materials used are natural rubber, synthetic rubber, carbon black, chemicals and rubber processing oils, the majority of which are sourced locally.

Presently, our products are sold in more than 20 countries, which span across Asia, Australia and Oceania, Africa, the Americas, Europe and the Middle East, mainly to tyre retreaders and rubber material traders in local and international markets.

The tyre retreading materials manufactured by our Group are as follows:

1. Masterbatch



Masterbatch is an essential raw material which we formulate and compound in-house used in the manufacturing of our other tyre retreading materials. This is produced through a mixture of natural rubber and/or synthetic rubber, rubber processing oils, carbon black, chemicals and/or additives compounded with chemicals, such as sulphur, accelerators and/or other additives, to form the desired rubber compounds.

2. Pre-cured tread liners



These are pre-vulcanised rubber strips moulded with patterns and profiles. The pre-cured tread liners are used in cold cure tyre retreading. Presently, we produce and distribute over 70 patterns of pre-cured tread liners and are constantly expanding our range of pre-cured tread liners, in line with the increasing demand and requirements from our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

3. Camelbacks



Camelbacks are unvulcanised rubber strips added to the surface of the buffed tyre casings. Camelbacks are mainly used in hot cure tyre retreading. These strips take the pattern of the mould during the process of vulcanisation.

4. Cushion gums



Cushion gums are strong adhesive strips used to bond pre-cured tread liners and camelbacks to the prepared surface of the buffed tyre casings. Our cushion gums are custom-made and have good tack adhesion properties.

5. Repair ropes



Repair ropes are rubber compounds extruded in a rope form. Repair ropes are used in the process of repairing tyres.

6. Sidewall veneers



Sidewall veneers are rubber compounds used to repair the tyre sidewalls. The process is to apply a new rubber veneer to the tyre sidewalls during the hot cure tyre retreading.

7. Orbitreads



Orbitreads are extruded rubber compounds used in hot cure tyre retreading for off-road tyres. Unlike tyres for other commercial vehicles, off-road tyres are larger and hence, require the use of orbitreads (*instead of camelbacks*) in the retreading process.

Tyre retreading operations

Our Group also generates a portion of our revenue from our tyre retreading operations. Tyre retreading is a process where the used tyre casings are made serviceable by removing worn and damaged treads and replacing them with new treads. Our Group's tyre retreading operations are carried out at our tyre retreading facility situated in Butterworth, Penang. The raw materials used in our tyre retreading operations are sourced from within the Group as well as used tyre casings purchased from external parties such as tyre traders, tyre retailers and fleet operators. We market our retreaded tyres under our own brand "OLP". Our retreaded tyres are produced mainly for sale in Malaysia, targeted to be used for commercial vehicles such as buses and transportation trucks.

MANAGEMENT DISCUSSION AND ANALYSIS

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OBJECTIVES AND STRATEGIES

Our Group's future objectives and plans together with strategies to accomplish them are as follows:

(i) Establish footprint in new overseas markets and increase export sales

Presently, our Group's products are being sold in more than 20 countries around the world. In order to increase our Group's revenues, we are constantly on the lookout for breakthrough opportunities which may arise in overseas markets, with the South American region being the main focus. Our management recognises the increase in demand and the potential for our tyre retreading materials in the South American region and expects demand to increase progressively in the foreseeable future. In addition, we also have an understanding in place with our business partner in South America for a joint venture to establish a tyre retreading plant in South America whereby our Group will supply tyre retreading materials to the joint venture company who will then manufacture and market retreaded tyres in the South American market. The establishment of the said joint venture will allow our Group to reduce cost of sales to the South American market while also improving our capabilities to service customers within South America.

In addition, our Group also recognises the demand and potential of the retreaded tyre market in Europe, in particular Eastern Europe. Our Group already has a presence in Europe where presently our products are being sold to distributors in the United Kingdom, Turkey and Bulgaria. Due to the expected increase in the usage of large transportation vehicles by the logistics and transportation industries, our management expects the demand for our products to increase progressively in the European market. In view of our Group's expansion plans, our management has decided to establish additional marketing and distribution offices. Presently, our Group's marketing and distribution offices are located in Malaysia, Hong Kong and the People's Republic of China. With the new initiatives, we intend to set up a distribution and marketing office together with a storage facility in Eastern Europe to service our existing and potential customers in the whole European market.

The additional presence in these locations are expected to contribute positively to our Group's export sales as it would allow our Group to be closer to existing and potential customers. In addition, this will allow us to serve existing and potential customers more efficiently and effectively due to the shorter turnaround time and availability of products resulting from establishment of distribution offices and storage facilities within the region.

(ii) Enhance manufacturing capabilities and widen our range of products, particularly high value-added and premium products

We raised proceeds of RM17.28 million from our recent IPO, out of which RM12.58 million has been earmarked for the establishment of new manufacturing lines and enhancement of automation systems. These new manufacturing lines and automation systems mainly comprise pressing machine, automated buffing and packing lines, loading and unloading systems, robotic hands as well as conveyor systems which will be incorporated into our manufacturing facilities in Malaysia. In addition, this initiative will allow our Group to deploy our labour force more efficiently to maximise the production capabilities and capacities of each employee. We also anticipate a reduction of wastages and increase in consistency in our production from the automation initiative. As at 31 December 2017, approximately RM9.0 million of the proceeds raised through the initial public offering has been utilised for this purpose.

In addition, we see the opportunity to supply a wider range of retreaded tyres to different markets due to the requirements and demands of customers in each respective market. For example, we intend to produce retreaded tyres suitable for winter or heavy duty-off road conditions to widen our present portfolio of available products. In addition, we have also capitalised on our expertise in the manufacturing of rubber-based products in the past by venturing into the development of other rubber-based products for different industries such as rubber compounds used in mining operations and thermal insulation of pipes. We view this as an opportunity for our Group to further expand into a new segment by utilising our existing excess manufacturing capacities.

(iii) Branding initiatives and establish intellectual property rights in new overseas markets

In conjunction with our Group's efforts to further establish our Group as an international player, we intend to increase our promotional activities including attending international tyre and rubber industry trade fairs and exhibitions. This will allow us to increase the awareness of the "Eversafe" brand and promote our products to a greater spectrum of potential customers.

MANAGEMENT DISCUSSION AND ANALYSIS

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We view the protection of our Group's intellectual property rights with great importance. Presently, we have already registered our trademarks in Malaysia and the People's Republic of China. In view of our overseas expansion plans, we intend to also register our trademarks in certain countries in South America, Central America and Africa to further protect our intellectual property.

We have set aside RM1.0 million from the proceeds raised through our Company's initial public offering for the initiative to protect our Group's intellectual property rights and RM0.5 million for promotional activities.

(iv) Continuous technology and product development initiatives

Our main expertise lies in our experience, technical know-how and capability to formulate rubber compounds used in the manufacturing of rubber-based products built up over our long operating history.

With our own in-house formulation and expertise, coupled with the accumulated historical data, our Group is well positioned to continuously improve the compounds used in the manufacturing of our tyre retreading materials and retreaded tyres to better cater to the needs and demands of our customers. We also have the capability to modify rubber compounds to cater to the changing demands of our customers. Our product development initiatives for tyre retreading materials are centred around tyre performance properties such as tyre balance, traction, force variation, load sensitivity, rolling resistance, torque alignment, stopping distance and tread wear through stimulations on various road conditions, weather and workload.

In addition, as mentioned above, our rubber compounds are also flexible and can be modified to cater to the manufacturing of other rubber-based products. Through the development of such capabilities, our Group is ready to capitalise on opportunities for the manufacturing of other rubber-based products as and when such opportunities arise.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

Our Group's principal sources of revenue are derived from the development, manufacturing and distribution of tyre retreading materials and tyre retreading operations. Other sources of revenue comprise of other products such as curing envelopes, flaps and tubes, related machineries and equipment as well as rubber wastages sold as scrap. Notwithstanding the above, as our Group's revenue are all derived from the manufacturing and sale of rubber-based tyre retread products, the operations of our Group is viewed as a single reportable segment.

The following table illustrates the comparison of financial highlights of our Group for the financial year ended ("FYE") 31 December 2016 and 2017:

	FYE 31 December 2017 RM'000	FYE 31 December 2016 RM'000
Revenue	90,773	74,740
Gross profit ("GP")	16,609	19,156
Profit before taxation ("PBT")	1,197	10,541
Profit after taxation ("PAT")	431	8,013
Net assets ("NA")	68,400	55,555
Total assets	101,320	83,519
Borrowings	21,719	16,774
Gearing (times)	0.3	0.3
Earnings per share ⁽¹⁾ (sen)	0.2	3.3
Dividend per share ⁽¹⁾ (sen)	1.8	-
NA per share ⁽¹⁾ (sen)	28.4	23.1

Note:

(1) Calculated based on 240,593,796 ordinary shares in the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

For the financial year under review, our Group's revenue increased to RM90.8 million from RM74.7 million in the FYE 31 December 2016, representing an increase of RM16.1 million or 21.6%. The increase in our Group's revenue was mainly attributable to the increase in the sales of tyre retreading materials, in particular pre-cured tread liners is the main revenue-contributing product sold by our Group. The said increase in sales was due to the increase in quantities sold. In addition, the increase in revenue was also attributable to the increase in revenue derived from our sales to the South American and local market which had increased by RM5.7 million and RM4.4 million respectively. Further analysis of our Group's revenue for the FYE 31 December 2016 and 2017 by geographical locations is illustrated below:

	FYE 31 December 2017 RM'000	FYE 31 December 2016 RM'000
Malaysia	36,552	32,182
Asia (excluding Malaysia)	37,109	32,806
Australia and Oceania	1,411	1,819
Africa	623	907
North America	988	573
South America	6,682	1,000
Europe	7,408	5,453
Overseas sub-total	54,221	42,558
Total	90,773	74,740

Notwithstanding the increase in revenue, our Group's GP decreased from RM19.2 million for the FYE 31 December 2016 to RM16.6 million for the FYE 31 December 2017, representing a decrease of RM2.6 million or 13.5%. The said decrease in GP was due to the overall increase in the cost of raw materials. This had also resulted in a decrease in GP margin from 25.6% for the FYE 31 December 2016 down to 18.3% for the financial year under review.

Our Group's PBT decreased by RM9.3 million or 88.6% for the financial year under review from RM10.5 million for the previous financial year to RM1.2 million for the FYE 31 December 2017. In addition to the abovementioned decrease in GP of RM2.6 million, the decrease in our Group's PBT is also due to the listing expenses of RM2.4 million incurred in conjunction with our Company's listing on the ACE Market of Bursa Malaysia Securities Berhad during the financial year under review. Other reasons for the decrease in our Group's PBT include the decrease in other operating income and increase in distribution costs and other operating expenses. The decrease in other operating income of RM2.0 million or 64.5% from RM3.1 million for the FYE 31 December 2016 to RM1.1 million for the FYE 31 December 2017 was due to the smaller gain on foreign exchange recognised. Meanwhile, our Group's distribution costs and other operating expenses increased by RM0.9 million and RM1.1 million respectively, from RM5.0 million and RM0.1 million for the FYE 31 December 2016 to RM5.9 million and RM1.2 million for the FYE 31 December 2017. The increase in distribution costs was due to the increase in freight charges while the increase in other operating expenses was due to losses on foreign exchange and impairment loss of trade receivables.

As at 31 December 2017, our Group's total assets increased to RM101.3 million as compared to RM83.5 million as at 31 December 2016. Our Group's total assets had increased due to the increase in cash and bank balances of RM9.4 million from RM10.7 million as at 31 December 2016 to RM20.1 million as at 31 December 2017 due to proceeds raised from our Company's initial public offering which was completed during the financial year under review. In addition, the increase in total assets of our Group was mainly due to the increase in trade receivables from RM23.6 million as at 31 December 2016 to RM29.2 million as at 31 December 2017. This increase was in line with the overall increase of our Group's revenue and is in accordance with the credit terms offered to our customers ranging from cash basis to 90 days. In line with our Group's increase in total assets, our Group's net assets also increased from RM55.6 million as at 31 December 2016 to RM68.4 million as at 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

The increase in our Group's borrowing was attributable to the increase in bankers' acceptance used for our Group's operations, from RM16.8 million as at 31 December 2016 to RM21.7 million as at 31 December 2017. Notwithstanding the increase in borrowings, the management is of the opinion that based on the gearing of 0.3 times as at 31 December 2017, the debt levels of our Group remains manageable.

A summary of our Group's cash flow position for the FYE 31 December 2016 and 2017 is illustrated below:

	FYE 31 December 2017 RM'000	FYE 31 December 2016 RM'000
Net cash (used in)/generated from operating activities	(2,552)	4,485
Net cash used in investing activities	(4,465)	(5,507)
Net cash generated from/(used in) financing activities	17,955	(446)
Net increase/(decrease) in cash and cash equivalents	10,938	(1,468)
Cash and cash equivalent at the beginning of the year	2,710	4,207
Cash and cash equivalent at the end of the year	13,617	2,710

During the financial year under review, our Group was in a negative net cash position for its operating activities of RM2.6 million as compared to a RM4.5 million positive net cash generated from operating activities in the FYE 31 December 2016. This was mainly due to the decrease in our Group's PBT as discussed above. In addition, this decrease was also due to an increase in trade receivables in line with the increase in our Group's sales for the financial year under review. The decrease in our Group's net cash used in investing activities for the financial year under review was due to a reduction in short-term deposits during the financial year. Our Group's net cash from financing activities of RM18.0 million for the FYE 31 December 2017 was mainly attributable to the proceeds raised from the initial public offering of our Company of RM17.3 million. Resulting therefrom, our Group's net increase in cash and cash equivalents for the financial year under review was RM10.9 million. Our Board of Directors and management are not aware of any plans in the pipeline for our Group or major capital expenditure which would have a significant effect on future cash flows save for the utilisation of proceeds raised from our Company's initial public offering as mentioned on page 35 of this Annual Report.

Notwithstanding the negative net cash position for our Group's operating activities as illustrated above, our Group's net current asset position for the financial year under review remains healthy. The said net current asset position of our Group for the FYE 31 December 2016 and 2017 is illustrated below:

	FYE 31 December 2017 RM'000	FYE 31 December 2016 RM'000
Current Assets		
Inventories	13,739	13,079
Trade and other receivables	32,421	26,884
Current tax assets	111	111
Cash and bank balances	20,116	10,712
Total current assets	66,387	50,786
Current Liabilities		
Trade and other payables	6,873	6,014
Borrowings	20,010	15,508
Current tax liabilities	542	941
Total current liabilities	27,425	22,463
Net Current Assets	38,962	28,323

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Our Group's net current assets position for the FYE 31 December 2017 further improved from RM28.3 million as at 31 December 2016 to RM39.0 million, representing an improvement of RM10.7 million or 37.8%. This improvement was due to the increase in trade and other receivables as well as cash and bank balances as mentioned above. This was partly mitigated by the increase in borrowings, namely bankers' acceptances used for our Group's operations, as at 31 December 2017. Based on the above, our Board believes that our Group has sufficient working capital resources for our existing and foreseeable requirements for the financial year ending 31 December 2018.

Save for the general market trends, there are no known trends or events, including balance sheet conditions, income or cash flow items that may affect our Group's operations, performance, financial condition and liquidity.

KEY RISK FACTORS

(i) Supply and pricing of natural rubber and/or synthetic rubber

Natural rubber and/or synthetic rubber are the main ingredients in our rubber compounds and are, to a certain extent, both substitutes and complementary to each other. Both natural rubber and synthetic rubber are commodities and hence, their market prices are subject to fluctuations due to supply and demand conditions in the global commodity market. Any major movements in rubber prices may significantly affect the financial performance of our Group.

In addition to the pricing of natural rubber and/or synthetic rubber, its availability may also affect the operations of our Group. While in the past, our Group was the beneficiary of a global oversupply of rubber due to weak demand in natural rubber and synthetic rubber, there is no guarantee that a sudden shortage of this key raw material will not adversely affect the operations of our Group.

As a mitigating factor, our Group constantly monitors the fluctuations in natural rubber and synthetic rubber prices to manage raw material purchases and assess any pass-on effects to be factored into the selling price of our products.

(ii) Impact from foreign currency exchange rate movements

Due to our Group's increasing efforts to boost our export sales, we are also increasingly exposed to foreign currency exchange risks. Our export sales are mainly conducted in United States Dollars and Japanese Yen, while other foreign currencies used for transactions include Australian Dollars, Euro, Hong Kong Dollars, Chinese Renminbi and Singapore Dollars. On the other hand, the import of our raw materials, namely natural rubber, synthetic rubber and carbon black which consists of 31.7% of total raw materials during the financial year under review, are transacted in United States Dollars.

In order to minimise the impact of any sudden fluctuations in foreign currency exchange rates, we match our foreign-denominated sales with foreign-denominated purchases as a natural hedge. In addition, we also maintain various foreign currency bank accounts to facilitate and support our business operations. Nonetheless, our Group's financial performance may be affected in the event of a sudden adverse movement in foreign currency exchange rates coupled with insufficient foreign currency reserves in order for our Group to hedge such movements.

(iii) Reliance on major suppliers

Our Group's manufacturing operations are dependent on the continuous availability of raw materials from our suppliers. Any disruption of supplies will have an adverse impact on our ability to deliver products to customers in a timely manner. We may incur additional costs, time and resources to seek for alternative supply sources on terms that may or may not be commercially satisfactory to us. This may affect our profitability and price competitiveness.

In order to mitigate such risk, we have endeavoured to maintain good business relationships with our suppliers. Our major suppliers have been supplying raw materials to our Group between 9 and 27 years. With such an established business relationship, we have not encountered any major problems in the sourcing of raw materials. In addition, we constantly monitor our inventory levels to ensure that there are sufficient raw materials in order to avert any disruptions to our manufacturing operations resulting from depleted raw material supplies. Nonetheless, our Group's business operations and financial performance may be affected in the event our suppliers cease to supply raw materials for our operations or the quantity of raw materials supplied is not sufficient and a suitable alternative is not found.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

(iv) Dependency on foreign labour

Our Group's manufacturing operations are dependent on, amongst others, supply of foreign labour to fulfil our Group's labour requirements in our production process. The supply of foreign labour, to a certain extent, is regulated by the Government and may change from time to time. In addition, it has been announced by the Government that all employers in Malaysia must now bear the costs of levy payments for new foreign workers as well as foreign workers who have renewed their Temporary Employment Visit Pass. There can be no assurance that the Group will continue to have adequate supply of foreign labour at acceptable costs or there will not be changes in Government policies on foreign labour or changes in foreign labour supply that may adversely affect the Group's operations and financial performance.

Presently, our Group employs 116 foreign workers solely from Nepal. In order to mitigate the risk of insufficient foreign labour, our Group intends to diversify the source of foreign labour by sourcing from different countries. In addition, our Group will continue to monitor the proportion of foreign and local labour in order to mitigate dependency on the former. In addition, as part of the utilisation of proceeds raised through our Company's IPO, our Group is in the midst of purchasing new machineries and increase automation in order to reduce the dependency on labour required.

PROSPECTS AND OUTLOOK

As mentioned on page 8 of this Annual Report, our Group intends to expand our export sales with a focus on the South American market. In addition, our Group is targeting to set up new facilities overseas to increase our global presence and improve our profit margins due to our closer proximity with the target markets. In support of our target to increase export sales, our Group has also in place plans to expand our production capacity through the automation of certain processes to improve our manufacturing capabilities and efficiencies.

Notwithstanding the above, our Board takes cognisance of our Group's exposure to the risks of fluctuations of foreign currency exchange rates as well as the fluctuations of prices and availability of supply of raw materials used in our manufacturing process. In view of the recent increase in the prices of raw materials as well as the uncertainty of foreign currency exchange rate fluctuations, our Board is cautiously optimistic of our Group's prospects and outlook. As such, our Board believes that barring any unforeseen circumstances, the prospects of our Group for the financial year ending 31 December 2018 will remain satisfactory.

DIVIDEND POLICY

Our Board intends to recommend and distribute dividends of between 40% and 60% of our Group's profit after taxation attributable to the shareholders of our Company (excluding non-recurring items) in the near future. For the current financial year under review, our Company declared dividends of RM4.3 million, equivalent to a dividend of 1.8 sen per Share. The said dividend was announced on 17 May 2017 and paid on 14 July 2017 to shareholders registered in the Company's register as at 30 June 2017.

BOARD OF DIRECTORS

Standing from left to right :

Cheah Eu Lee
(Non-Independent Non-Executive Director)

Ong Beow Chieh
(Independent Non-Executive Director)

Ng Meng Kwai
(Senior Independent Non-Executive Director)

Haji Mohd Isa bin Haji Talib
(Independent Non-Executive Director)

Cheah Siang Tee
(Chief Executive Officer/Executive Director)

Sitting from left to right :

Eu Ah Seng
(Executive Director)

Tan Sri Dato' Dr. Sak Cheng Lum
("Tan Sri Dato' Dr. Sak")
(Independent Non-Executive Chairman)

Dato' Seri Cheah Eu Kiat ("Dato' Seri Cheah")
(Executive Director)



PROFILE OF DIRECTORS



Tan Sri Dato' Dr. Sak Cheng Lum ("Tan Sri Dato' Dr. Sak")

(Independent Non-Executive Chairman, Aged 74, Malaysian, Male)

Tan Sri Dato' Dr. Sak was appointed as the Independent Non-Executive Chairman of Eversafe Rubber Berhad ("**Eversafe Rubber**") on 30 May 2016. He is also the Chairman of the Remuneration Committee and Nominating Committee as well as a member of the Audit Committee.

He graduated with a Degree in Medicine from the University of Singapore in 1968.

He started his career as a medical doctor, serving as a medical officer for the Malaysian government until 1972, before starting his own private practice. In 1978, Tan Sri Dato' Dr. Sak was elected as the state assemblyman under Barisan Nasional for the seat of Bagan Jermal in Penang. He was elected as the state assemblyman for 5 terms (from 1978 to 1990 and from 1995 to 2004). He also served as a senator and parliamentary secretary of the Ministry of Domestic Trade and Consumer Affairs from 1990 to 1995. He was also an independent non-executive director of Star Publications (Malaysia) Berhad from 2001 until 2010 and the independent non-executive chairman of XingHe Holdings Berhad from 2013 until 2016.

Currently, he serves as chairman of the University Tunku Abdul Rahman Board of Trustees since 2010 and also as a member of the Board of Trustees for ECM Libra Foundation.

Apart from being our Independent Non-Executive Chairman, he is also an Independent Non-Executive Director of HIL Industries Berhad since 2007 and Amverton Berhad (formerly known as A & M Realty Berhad) since 2000. He also is appointed to the board of directors of several private corporations in Malaysia.



Dato' Seri Cheah Eu Kiat ("Dato' Seri Cheah")

(Executive Director, Aged 68, Malaysian, Male)

Dato' Seri Cheah was appointed as an Executive Director of Eversafe Rubber on 30 May 2016. He is also a member of the Remuneration Committee. Dato' Seri Cheah is mainly involved in the development and determining of business policies and the Group's future strategies.

In 1965, while he was still in high school, Dato' Seri Cheah began helping out with his family's battery and tyre services workshop. When he graduated from Chung Ling High School in 1968, he decided to assist in the family business full-time. In 1973, he made the decision to expand the family tyre retreading business to a larger scale and established Syarikat Tai Hin Penchelop Tayar Sdn Bhd (which was later renamed into Olympic Retreads (M) Sdn Bhd). In 1980, Dato' Seri Cheah ventured into manufacturing of tyre retreading materials through the establishment of Eversafe Rubber Works Sdn Bhd ("**Rubber Works**"). Under him, we have grown from a small workshop to having several manufacturing facilities in both Malaysia and People's Republic of China. Through his years of involvement, he has gained invaluable knowledge and experience in the tyre and tyre retreading industry.

Presently, Dato' Seri Cheah is the Executive Director of Rubber Works since 1982, Eversafe Trading Sdn Bhd ("**Eversafe Trading**") since 1983 and Olympic Retreads (M) Sdn Bhd ("**Olympic**") since 1973. On top of that, he is the Non-Executive Director of Eversafe Trading (Shanghai) Co Ltd ("**Eversafe Shanghai**") since 2005 and Supreme Good International Limited ("**Supreme Good**") since 2008. Dato' Seri Cheah is actively involved in various tyre associations in Malaysia but he is not a director of any other public company and he does not sit on any other boards.

PROFILE OF DIRECTORS

cont'd



Eu Ah Seng
(Executive Director, Aged 76, Malaysian, Male)

Mr. Eu Ah Seng was appointed as the Executive Director in Eversafe Rubber on 30 May 2016. Mr. Eu presently oversees the entire development, production, marketing and procurement activities of the Group.

He began his career in the rubber-related industry in 1960 when he started working for a rubber trader, assisting in the collection of raw natural rubber from smallholders to be sent to factories. In 1965, he joined Perak Rubber Works Sdn Bhd in Taiping, working in the production of rubber compounds for the tyre industry. After 11 years of service in Perak Rubber Works Sdn Bhd, he left to start his own rubber trading business, Success Trading. In 1980, he co-founded Rubber Works with Dato' Seri Cheah.

Mr. Eu is presently an Executive Director of Rubber Works since 1980, Eversafe Trading since 1980 and a Non-Executive Director of Eversafe Shanghai since 2005. Apart from the Eversafe Group, he is not a director of any other public company and he does not sit on any other boards.



Cheah Siang Tee
(Chief Executive Officer/Executive Director, Aged 42, Malaysian, Male)

Mr. Cheah Siang Tee was appointed as the Executive Director of Eversafe Rubber on 30 May 2016. Subsequently, on 30 June 2016, he was appointed as the Chief Executive Officer of our Company. Mr. Cheah presently oversees the overall operations of the Group which includes the business strategic planning and development of overseas operations, overall sales and marketing activities and research and development.

He obtained a Bachelor Degree in Accounting and a Bachelor in Business Administration majoring in Finance from the University of Minnesota in 1998.

He started his career when he joined Deloitte Touche Tohmatsu Malaysia as a trainee accountant in 1999. He was a member to the Minnesota Society of Certified Public Accountants in 2000; and later became a member of the American Institute of Certified Public Accountants (AICPA) in 2001. He also became a member of the Malaysian Institute of Certified Public Accountants (MICPA) in 2002. In 2002, he left Deloitte Touche Tohmatsu Malaysia to join his family business of tyre retreading. Since then, he has been involved in every aspect of the family business and has been instrumental of the business' international growth.

Mr. Cheah is presently an Executive Director for Rubber Works since 2014, Eversafe Trading since 2014, Eversafe Shanghai since 2005, Jiaying YongAn Rubber Co Ltd ("Jiaying") since 2007, Olympic since 2014 and a Non-Executive Director of Supreme Good since 2008. Apart from the Eversafe Group, he is not a director of any other public company and he does not sit on any other boards.

PROFILE OF DIRECTORS

cont'd



Cheah Eu Lee

(Non-Independent Non-Executive Director, Aged 60, Malaysian, Male)

Mr. Cheah Eu Lee was appointed as the Non-Independent Non-Executive Director of Eversafe Rubber on 30 May 2016. He is also a member of the Nominating Committee.

He started his career after completing his secondary education from Chung Ling High School in 1976 when he joined Chop Tai Hin (sole proprietorship), a family business. In 1978, he was tasked to head the marketing division of Olympic, overseeing the sourcing for tyre casings used in the retreading of tyres before he was transferred in 1982 to oversee and be responsible for Tai Hin & Son (PG) Sdn Bhd's ("Tai Hin") retailing segment (the retailing business of Chop Tai Hin was taken over by Tai Hin, also a family business). Tai Hin's retailing segment which he was in charge of was subsequently transferred to Tayarmart (M) Sdn Bhd upon its incorporation in 1987. During his tenure in Tayarmart (M) Sdn Bhd, the group has established two additional car workshops in Prai and Taman Bagan, both in Penang.

Mr. Cheah is presently a Non-Executive Director in Rubber Works since 2008, Eversafe Trading since 2008 and Olympic since 1979. Apart from the Eversafe Group, he is not a director of any other public company and he does not sit on any other boards.



Ng Meng Kwai

(Senior Independent Non-Executive Director, Aged 66, Malaysian, Male)

Mr. Ng Meng Kwai was appointed as an Independent Non-Executive Director of Eversafe Rubber on 30 May 2016. He is also the Chairman of the Audit Committee and a member of the Nominating Committee.

Mr. Ng is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and also a member of the Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia.

He has accumulated over 40 years of public accounting experience and has extensive experience in audit and financial advisory services as well as risk management matters. He began his career in 1973 with Deloitte Malaysia (*then known as Kassim Chan & Co*) and moved up the ranks until his retirement from Deloitte Malaysia in 2013. Since then, he joined Robert Mengkwai & Loo, an accounting firm, as a partner, a position he holds until to date.

Apart from Eversafe Rubber, he is not a director of any other public companies and he does not sit on any other boards.

PROFILE OF DIRECTORS

cont'd



Haji Mohd Isa bin Haji Talib

(Independent Non-Executive Director, Aged 75, Malaysian, Male)

Tuan Haji Mohd Isa was appointed as an Independent Non-Executive Director of Eversafe Rubber on 30 May 2016. He is also a member of the Audit Committee and Remuneration Committee.

Tuan Haji Mohd Isa has accumulated 35 years of experience in the banking industry since 1961 when he joined Malayan Banking Berhad (Maybank) immediately after his secondary education. Moving through the ranks in Maybank, Tuan Haji Mohd Isa was promoted to Regional Manager of Kuantan and was responsible for overseeing the operations of bank branches in three states in Malaysia, i.e. Pahang, Kelantan and Terengganu in 1980. In 1991, he was transferred to Kuching to oversee branches in Sarawak. In 1993, he was transferred to Kuala Lumpur headquarters to head the property division of Maybank until he retired in 1998.

Apart from Eversafe Rubber, he is not a director of any other public company and he does not sit on any other boards.



Ong Beow Chieh

(Independent Non-Executive Director, Aged 46, Malaysian, Female)

Ms. Ong Beow Chieh was appointed as an Independent Non-Executive Director of Eversafe Rubber on 4 January 2017.

She graduated in 1995 with a Bachelor of Laws Degree from Queensland University of Technology, Australia.

After graduating, Ms. Ong began her pupillage with Messrs. Presgrave & Matthews of Penang in 1996. Since then, she was admitted as an advocate and solicitor of the High Court of Malaya in 1997 and made partner of the firm in 2002, a position she currently still holds. She specialises in banking, conveyancing and intellectual property. She is also a trademark and industrial design agent registered under the Intellectual Property Corporation in Malaysia.

Apart from Eversafe Rubber, she is not a director of any other public companies and she does not sit on any other boards.

Notes:

1. None of the Directors have been convicted for any offences (other than traffic offences, if any) within the past five (5) years or imposed with any penalty by the relevant authorities or regulatory bodies during the financial year ended 31 December 2017.
2. None of the Directors have any conflicts of interest with the Company.
3. Save as disclosed below, none of the Directors of Eversafe have any family relationships with any other Directors and/or major shareholders of Eversafe Rubber:
 - (i) Dato' Seri Cheah, Mr. Cheah Eu Lee and Mr. Cheah Siang Tee are directors and shareholders of Tai Hin, a major shareholder of Eversafe Rubber.
 - (ii) Dato' Seri Cheah, our Executive Director, and Mr. Cheah Eu Lee, our Non-Independent Non-Executive Director, are siblings.
 - (iii) Dato' Seri Cheah, our Executive Director, is the father of Mr. Cheah Siang Tee, our Chief Executive Officer/Executive Director.
 - (iv) Mr. Cheah Eu Lee, our Non-Independent Non-Executive Director, is the uncle of Mr. Cheah Siang Tee, our Chief Executive Officer/Executive Director.

PROFILE OF KEY SENIOR MANAGEMENT

Dato' Seri Cheah

(Executive Director)

Please refer to page 15 of the Annual Report for the profile of Dato' Seri Cheah.

Eu Ah Seng

(Executive Director)

Please refer to page 16 of the Annual Report for the profile of Mr. Eu Ah Seng.

Cheah Siang Tee

(Chief Executive Officer/Executive Director)

Please refer to page 16 of the Annual Report for the profile of Mr. Cheah Siang Tee.

Leong Yew Wah

(Chief of Internal Audit)

Mr. Leong Yew Wah, a Malaysian, male, aged 68, is our Chief of Internal Audit. He reviews our internal control and compliance procedures and reports to the Audit Committee.

Upon completion of his high school education in 1970, he was appointed to the Inland Revenue Board ("IRB") in 1971. Mr. Leong served 35 years in the IRB in various capacities and has gained vast knowledge and experience in investigation and examination of fraudulent financial accounts in tax evasion cases. He was also an approved Tax Agent for the Ministry of Finance. He retired from his service in the IRB in the year 2006. He was awarded the 'Sijil Perkhidmatan Cemerlang' twice during his tenure in IRB. He joined Tai Hin in 2007 as the Chief of Internal Audit and in May 2016, he transferred to our Group.

He does not sit on the board of any public or private companies.

PROFILE OF KEY SENIOR MANAGEMENT

cont'd

Koid Lay Peng

(Group Finance Manager)

Ms. Koid Lay Peng, Malaysian, female, aged 52, is our Group Finance Manager. She oversees the overall finance and treasury functions within our Group, including the preparation of financial statements and liaising with the auditors, tax agents, lawyers and bankers.

She obtained a Diploma in Business Studies from Institut Simyong, Penang in 1987 and Certificate of Accounting (Third Level) from London Chamber of Commerce and Industry Examinations Board in 1999.

Her career began as an Auditor in Koay Seng Leong & Co in 1987. In 1988, she left to join Tayarmart (M) Sdn Bhd as an Accounts Executive before she was transferred to Tai Hin in 2009 to take up the role as the Manager of the Accounts and Administrative Departments. In 2016, she assumed her present position of Group Finance Manager.

She does not sit on the board of any public or private companies.

Lee Chee Kong

(Marketing Manager)

Mr. Lee Chee Kong, Malaysian, male, aged 54, is our Marketing Manager. He is in charge of our marketing division, overseeing the Group's marketing activities for the local market.

He obtained a Diploma in Business Studies and Certificate of Marketing from the London Chamber of Commerce and Industry Examinations Board in 1994 and 1995 respectively.

Mr. Lee started his career in 1986 as a Marketing Executive with Antah Holdings Berhad. In 1993, he joined Sun Rubber Industry Sdn Bhd as their Marketing Manager where he oversaw both the domestic and export sales and marketing of the company's rubber compounds. After 13 years, he joined A-Max Industries Sdn Bhd (*now known as Acten Tire Technology Sdn Bhd*) as its Marketing Manager where he was in charge of the company's overall sales and marketing activities. In 2008, he joined Rubber Works in his present position.

He does not sit on the board of any public or private companies.

Eu Hong Lim

(Export Sales Manager)

Mr. Eu Hong Lim, Malaysian, male, aged 41, is our Export Sales Manager. He is in charge of our Group's export sales and promotional activities, as well as participation in trade fairs and exhibitions. Mr. Eu is also involved in brand building, assisting in the development of new and existing products, attending to and handling quality control issues, managing logistics and monitoring warehouse operations.

He graduated with a Degree of Business Administration from the Middlesex University, England in 1999.

After a stint with an education service provider, Mr. Eu joined Rubber Works in 2001 as an Administration and Sales Executive. He was previously involved in the establishment, implementation and maintenance of several systems within the Group, such as our Group's information technology systems, enterprise resource planning systems and quality management systems. He was also involved in the application of our Group's ISO 9001 certification and the provision of ISO training to staff. He was also tasked with managing our Group's export sales and servicing our overseas customers. In 2008, he was promoted to Export Sales Manager, a position he currently holds.

He does not sit on the board of any public or private companies.

PROFILE OF KEY SENIOR MANAGEMENT

cont'd

Anuar bin Atan

(Production Manager)

Anuar bin Atan, Malaysian, male, aged 55, is our Production Manager. He is responsible for managing and overseeing our Group's production related matters including procurement and raw materials arrangement, production of our tyre retreading materials as well as storage and warehousing matters.

He obtained a Diploma in Rubber and Plastic Technology and Diploma in Rubber Processing from Institut Teknologi MARA and Institut Penyelidikan Getah Malaysia respectively.

After obtaining his Diploma in 1986, he joined Heveafil (M) Sdn Bhd in the same year as a Supervisor, where he was responsible to oversee the operation of the company's compounding and wastewater management. In 1990, he joined Rubber Thread Industries (M) Sdn Bhd as a Senior Production Manager to manage and oversee the company's production, compounding and wastewater management activities. In 2009, he joined Rubber Works as our Production Manager. He has since accumulated over 30 years of experience in rubber compounding activities and factory management.

He does not sit on the board of any public or private companies.

Notes:

1. *None of the key senior management have been convicted for any offences (other than traffic offences, if any) within the past five (5) years or imposed with any penalty by the relevant authorities or regulatory bodies during the financial year ended 31 December 2017.*
2. *None of the key senior management have any conflicts of interest with the Company.*
3. *Save as disclosed on page 18 of the Annual Report and as below, none of the key senior management have any family relationships with any other Director and/or major shareholder of Eversafe Rubber:*
 - (i) *Mr. Eu Ah Seng, our Executive Director, is the father of Eu Hong Lim, our Export Sales Manager.*

GROUP FINANCIAL HIGHLIGHTS

Group	Financial year ended		
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Revenue	90,773	74,740	74,779
Gross profit	16,609	19,156	17,749
Profit before taxation	1,197	10,541	8,116
Profit attributable to the owners of Company	431	8,013	5,802
Earnings before interests, taxes, depreciation and amortisation	5,943	14,520	12,225
Total equity attributable to owners of the Company	68,400	55,555	48,137
Earnings per share ⁽¹⁾ (sen)	0.2	3.3	2.4
Dividends per share ⁽¹⁾ (sen)	1.8	-	0.5
Net assets per share ⁽¹⁾ (sen)	28.4	23.1	20.0
Gross profit margin ⁽²⁾ (%)	18.3	25.6	23.7
Net profit margin ⁽³⁾ (%)	0.5	10.7	7.8
Return on equity attributable to owners of Company ⁽⁴⁾ (%)	0.6	14.4	12.1
Return on total assets ⁽⁵⁾ (%)	0.4	9.6	7.7

Notes:

- (1) Calculated based on 240,593,796 ordinary shares in the Company.
- (2) Computed based on gross profit over revenue.
- (3) Computed based on profit attributable to the owners of Company over revenue.
- (4) Computed based on profit attributable to the owners of Company over total equity attributable to owners of the Company.
- (5) Computed based on profit attributable to the owners of Company over total assets of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2017 (“**MCCG 2017**”) requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investments and the Group’s assets. This Statement of Risk Management and Internal Control by the Board is made in respect of the financial year ended 31 December 2017 pursuant to Rule 15.26 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) as well as Principle B of the MCCG 2017.

BOARD’S RESPONSIBILITIES

The Board recognises the importance of maintaining a sound system of internal control and risk management practices in ensuring good corporate governance. The Board is responsible for the system of risk management and internal control operating throughout the Group and for reviewing its effectiveness, adequacy and integrity, in order to safeguard shareholders’ investment and the Group’s assets. The Board is committed to practicing good standards of corporate governance and will continue to improve on current practices.

However, limitations will be inherent in any system of internal controls and risk management whereby such systems are designed to mitigate and manage rather than eliminate risks. Hence, the Group’s system of internal controls can only provide a reasonable level of assurance against material losses to the Group.

The Board affirms that there are on-going or continuous processes for identifying, evaluating and managing significant risks faced by the Group through its systems of internal controls and risk management.

RISK MANAGEMENT AND INTERNAL CONTROL PROCESS

The Board, having recognised that risk management is an integral part of the business operations of the Group, has undertaken the preparation of a risk management framework and assessment to identify, evaluate and manage the significant risks affecting the Group’s operations to ensure that high risk areas are adequately addressed at various levels within the Group. Its systems of internal controls and risk management primarily cover areas of general operations, production efficiency and effectiveness, health and safety measures, repair and maintenance procedures, inventory management, financial controls and reporting, compliance monitoring and process improvements.

In undertaking the functions of the Board with regards to risk management and internal controls of the Group, the Board is supported by the Audit Committee based on its clearly defined terms of reference. The Audit Committee has been tasked by the Board with the duty of reviewing and monitoring the adequacy and effectiveness of the Group’s risk management and internal controls. The day-to-day implementation of risk awareness and management as well as compliance under the Group’s internal control processes and procedures are part of the responsibilities of the key senior management of the Group.

The Group has an organisational structure with clearly defined lines of accountability and responsibility as well as delegation of authority and reporting.

The risk profile of the Group is established by undertaking risk mapping and assessments facilitated with the assistance of external risk management consultants whereby key risk areas for each of the critical business functions and activities of the Group were identified, assessed and categorised based on the likelihood of occurrence and the resultant impacts. These were then documented as the Group’s risk register as part of the overall risk management framework of the Group and the same reviewed and deliberated by the Audit Committee with the assistance of the risk management consultants. The same exercise also identified the specific risk owners to facilitate the responsibility for actions in responding to risk management and a risk matrix is also generated to assist the management and the Board to prioritise their efforts and appropriately manage the different classes of risks. The risk profile and register will be continuously reviewed for updates due to external changes as well as addition of new business areas and/or key activities.

Internal controls have been implemented and will be continuously reviewed and improved, in particularly, for high risk areas within the Group. Upon review by the appointed internal auditors, the management team discusses with the Audit Committee on key control processes and procedures for areas of particularly high risk and/or concern to ensure adequate controls are always in place to mitigate any critical risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTERNAL AUDIT FUNCTION

The internal audit function is in place to assist the Audit Committee in discharging its functions effectively. It is considered an integral part of the assurance framework to provide assurance on the adequacy and effectiveness of the risk management and internal control system of our Group. For the financial year under review, in addition to our own in-house internal auditor, Mr. Leong Yew Wah, the Audit Committee also appointed an independent professional firm to independently assess the adequacy and effectiveness of the corporate governance and internal control system and provide an independent and objective report on its observations. The internal audit function highlighted its findings, including recommendations to address the findings noted, via the issuance of internal audit reports directly to the Audit Committee. The internal audit reports, incorporating findings, recommendations, management comments and action plans with regard to the weaknesses and observations in the risk management and internal control system, were tabled at Audit Committee meetings and thereafter to the Board for further deliberation.

A follow-up audit in the financial year ending 31 December 2018 is to be scheduled to ensure that recommended follow-up corrective and compliance matters are being either put in place or implemented following any audit findings highlighted in the internal audit report for the financial year under review.

The internal audit fees incurred for the financial year ended 31 December 2017 was RM22,500.

INFORMATION AND COMMUNICATION

While the management has full responsibility in ensuring the effectiveness of internal control which it establishes, the Board has authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from the management as well as to seek inputs from the Audit Committee, external and internal auditors and other experts.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the ACE Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement in the Annual Report for the financial year ended 31 December 2017. Their review is performed in accordance with Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants. The external auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and that it is an appropriate reflection of the process adopted by the Directors in reviewing the adequacy and integrity of the system of internal control of the Group.

Audit and Assurance Practice Guide 3 does not require the external auditors to consider whether this Statement covers all risk and controls or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention to cause them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor is this statement factually inaccurate.

REVIEW BY THE BOARD

The Board has reviewed the risk management and internal control system of the Group and is of the view that during the financial year and up to the date of issuance of this Statement, there were no material losses, contingencies or uncertainties arising as a result of weaknesses in the internal control system which would require separate disclosures in this Annual Report. The Board has also received assurance from the Chief Executive Officer that the risk management and internal control systems of the Group are operating adequately and effectively in all material aspects based on the risk management and internal control systems of the Group. In addition, our internal auditor together with our external consultants work closely with our key senior management on the sufficiency and adequateness of our Group's internal controls for our day-to-day operations.

Premised on the preceding sections, the Board considers the system of internal controls as set out in this Statement to be satisfactory and the risks to be at acceptable level within the context of the Group's business and operating environment. Aware to the need of maintaining a robust risk management and internal control system in meeting the ever-changing needs of the Group, the Board will take measures to enhance this system as and when the need arises.

This Statement on Risk Management and Internal Control has been approved by the Board of Eversafe Rubber Berhad on 9 April 2018.

AUDIT COMMITTEE REPORT

The Audit Committee was established by the Board of Eversafe Rubber Berhad (“**Eversafe Rubber**” or the “**Company**”) on 30 May 2016 with the primary objective of assisting the Board in discharging its duties and responsibilities and fulfilling its corporate governance responsibilities in relation to financial reporting, annual reporting, internal control structure, related party transactions and external and internal audit functions of the Group.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee comprises three (3) members, all of whom are non-executive directors.

The composition of the Audit Committee is as follows:

Ng Meng Kwai (Chairman)
- *Senior Independent Non-Executive Director*

Tan Sri Dato’ Dr. Sak Cheng Lum (Member)
- *Independent Non-Executive Chairman*

Haji Mohd Isa bin Haji Talib (Member)
- *Independent Non-Executive Director*

The Audit Committee fulfils the requirements of Rule 15.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The terms of office and performance of the Audit Committee and each of its members shall be reviewed annually by the Nominating Committee of the company and members may be re-nominated and appointed by the Board.

ATTENDANCE OF AUDIT COMMITTEE MEETINGS

A total of 3 meetings were held during the financial year ended 31 December 2017. The details of attendance of each member at the Audit Committee meetings held during the tenure of office of the members are as follows:-

Name	Attendance
Ng Meng Kwai	3/3
Tan Sri Dato’ Dr Sak Cheng Lum	3/3
Haji Mohd Isa bin Haji Talib	3/3

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of reference of the Audit Committee is published on the Company’s website www.eversafe.com.my.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met 3 times during the financial year ended 31 December 2017 and this section sets out the main activities of the Audit Committee of Eversafe Rubber during this period.

1. Financial Reporting

The Audit Committee reviewed and deliberated on all the announcements of quarterly financial results for the financial year ended 31 December 2017 made by the Company since its listing on Bursa Securities.

In addition, the Audit Committee also undertook the review of the annual audited financial statements of the Group including the accompanying directors’ report. The Audit Committee ensures that the financial results and statements are prepared in a timely and accurate manner, complying with applicable accounting, regulatory requirements and financial reporting standards.

AUDIT COMMITTEE REPORT

cont'd

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE *cont'd*

2. External Auditor

The Audit Committee deliberated and reviewed the scope of statutory audit and the audit plan as well as discussing with the external auditors the audit strategies and any implementation of new or revised accounting standards that may affect the Group in the current and coming financial years.

The Audit Committee also held a discussion with the external auditors after the completion of audit field works for any findings and observations of material concern and effects to the Group as well as to ensure that there were no restrictions on the scope of their audit.

The Audit Committee also encourages the external auditor to continuously engage with the Committee to ensure that issues affecting the Company and the Group can be flagged out in a timely manner. The Audit Committee also evaluated the independence and effectiveness of the external auditors and recommended to the Board on their re-appointment and audit fee.

3. Related Party Transaction/Recurrent Related Party Transaction

The Audit Committee will deliberate with the management on any related party transaction or recurrent related party transaction entered into between the Group and any related party to deliberate whether such transactions are to the best interest of the Group. In addition, the Audit Committee also reviewed the guidelines and procedures for recurrent related party transactions during the financial year under review.

During the financial year under review, the Group has not entered into any other new related party transactions while all recurrent related party transactions are reviewed by the Audit Committee on a quarterly basis. The Audit Committee has also reviewed the Circular to Shareholders dated 19 April 2018 on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature. Please refer to the said Circular to Shareholders dated 19 April 2018 for further information on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature undertaken by the Group.

4. Risk Management and Internal Control

The Audit Committee has assessed the risk and control environment of the Group through the Enterprise Risk Management Framework as well as the overall effectiveness of the risk management and internal control system of the Group. The Audit Committee had also reviewed the Statement on Risk Management and Internal Control prior to the recommendation to the Board for approval for inclusion in this Annual Report.

5. Internal Auditor

The Audit Committee oversees the conduct of internal audit periodically to ensure that review of the adequacy of the Group's internal control systems is carried out in a timely manner as well as ensuring operations are carried in compliance with existing internal controls. The Audit Committee also ensures that all internal audit personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence.

To that end, for the financial year ended 31 December 2017, the Audit Committee reviewed the internal audit report which covered the critical areas of its main operating subsidiary, Eversafe Rubber Works Sdn Bhd, namely production, health and safety as well as inventory management. The Audit Committee also discussed the internal audit findings and issues with the internal auditor prior to presenting the same to the Board.

6. Others

The Audit Committee reviewed and made recommendations to the Board for this Annual Report pertaining to the Audit Committee Report, Corporate Governance Statement and the Statement of Risk Management and Internal Controls.

In addition, the Chairman and members of the Audit Committee also engage on continuous basis with other Board members, the Executive Directors and with the management of the Group in order to be kept informed of the operations and management of the Group including any material events and/or matters affecting the operations of the Group as a whole.

This Audit Committee Report was approved by the Board of Eversafe Rubber on 9 April 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Eversafe Rubber Berhad (“**Eversafe Rubber**” or the “**Company**”) appreciates the importance of adopting high standards of corporate governance in the Company as well as its subsidiaries in order to safeguard stakeholders’ interests as well as enhancing shareholder value.

Pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**AMLR**”), this Corporate Governance Overview Statement (“**Statement**”) sets out how the Company has applied the 3 Principles and observed the Practices and Recommendations, of the Malaysian Code on Corporate Governance (“**MCCG 2017**”) for the financial year ended 31 December 2017. Where a specific Recommendation of the MCCG 2017 has not been observed during the financial year, the non-observation, including reasons thereof, and the alternative practice adopted, if any, is mentioned in this Statement.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

The Board recognises its key role in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- Review, evaluate, adopt and approve the strategic plans and policies for the Group;
- Oversee and monitor the conduct of the businesses and financial performance and major capital commitments of the Group;
- Review and adopt budgets and financial results of the Group, monitor compliance with applicable accounting standards and the integrity and adequacy of accurate financial information disclosure;
- Review and approve any major corporate proposals, new business ventures or joint ventures of the Group;
- Ensure adequate measures are taken to protect all assets of the group and maximise their potential;
- Review, evaluate and approve any material acquisitions or disposals of undertakings and assets in the Group;
- Identify principal risks and assess the appropriate risk management systems to be implemented to manage these risks;
- Establish and oversee a succession planning programme for the Group, including the remuneration and compensation policy thereof;
- Establish, review and implement corporate communication policies with the shareholders, investors, other key stakeholders and the public;
- Review and determine the adequacy and integrity of the internal control systems and management information of the Group; and
- Develop a corporate code of conduct to address, amongst others, any conflicts of interest relating to directors, major shareholders and/or management.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Remuneration Committee and Nominating Committee to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

The Board is aware of the need to clearly demarcate the duties and responsibilities of the Board, Board Committees and Management, including the limits of authority accorded, in order to provide clarity and guidance to Directors and Management. The Board has in place a Board Charter, setting out, inter-alia, the roles of the Board, Board Committees, Executive and Non-Executive Directors and Management. The Charter serves as a reference point for Board activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company. The Board shall update the Charter as and when need arises to reflect changes to the Company’s policies, procedures as well as to comply with the latest regulations and legislations.

The full Charter is available on the Company’s website at www.eversafe.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Charter *cont'd*

The number of meetings of the Board and Board Committees held during the year was:

Types of Meetings	Number of Meetings
Board of Directors	3
Audit Committee	3
Nominating Committee	1
Remuneration Committee	1

The Board is bestowed with the duties and responsibilities to ensure the interest of the shareholders is protected. The Board delegates and confers some of its authority and discretion to the Independent Non-Executive Chairman, Executive Directors, Chief Executive Officer and Management as well as to respective Board Committees. Nonetheless, the Board retains full and effective control of the Group.

The Board oversees the performance of the Management to determine whether the business is being properly managed whereby the Chief Executive Officer/Executive Directors periodically reports to the Board on operational matters and is responsible to keep the Board informed on all matters which may materially affect the Group and its business.

The Non-Executive/Independent Directors, in general are independent from management. Their roles are to constructively challenge Management and contribute to the development of the business strategy and direction of the Company. They ensure effective checks and balances on the Board. They have free and direct contact with Management and engage with the external and internal auditors to address matters concerning Management. The role of Management is to support the Executive Directors and Chief Executive Officer in implementing and running of the general operations and business of the Group, in accordance with the delegated authority of the Board.

Code of Conduct and Whistleblowing Policy

The Board recognises the importance of having in place a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to cultivate and promote good corporate behaviour. The Company's Code of Conduct for employees also include provisions on conduct, which highlight, amongst others, the standards of integrity, transparency, fairness, accountability as well as contribution towards the social and environmental growth of the surroundings in which our Group operates. Meanwhile, the Board Charter sets out provision for disclosure and conflict of interest to be observed by Directors.

To ensure its implementation and effectiveness, new Directors and employees are introduced to the Code of Conduct upon induction. This serves as a way to ensure new Directors and employees understand the importance of ethics and the requirement to adhere to the Company's standards. The Code of Conduct is also reviewed as and when necessary as to ensure its relevance.

The Board, on 12 August 2017, approved the Whistleblowing Policy in ensuring our Group upholds our business ethics of honesty, integrity and transparency. A copy of the Whistleblowing Policy has been published on our Company's website. Any stakeholders suspecting any integrity issues, misconducts and/or fraud occurring in any of the companies within our Group are encouraged to lodge a report in writing, submitted via post or email to:

Audit Committee Chairman/Company Secretary
 Eversafe Rubber Berhad
 Unit 30-01, Level 30, Tower A
 Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur
 Email: whistleblow@eversafe.com.my

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Sustainability of Business

The Board is mindful of the importance of business sustainability and in conducting the Group's business, our impact on the environmental, social and governance aspects is considered in the Group's corporate strategies.

Our Group did not carry out any specific official programme or activities in relation to corporate social responsibility but generally, our Group endorses only actions and projects that would not have any detrimental implications to the environment and public at large.

Supply of, and Access to, Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and for an effective discharge of the Board's responsibilities.

Timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings to give effect to Board decisions and to deal with matters arising from such meetings, is observed. Board members are furnished with pertinent explanation and information on relevant issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board before a decision is made.

In addition, Board members are updated on the Group's activities and its operations on a regular basis. All Directors have access to information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties. However, during the financial year under review, the Directors did not encounter any situations requiring such advice. This procedure is formalised in the Company's Board Charter.

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries, who are qualified, experienced and competent on statutory and regulatory requirements, on the resultant implications of any changes in regulatory requirements to the Company and Directors in relation to their duties and responsibilities. The Company Secretaries, who oversee adherence to Board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committee meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of the Company Secretaries, if any, is a matter for the Board, as a whole, to decide.

Composition of The Board

The Board currently comprises eight (8) members, three (3) of whom are Executive Directors, one (1) Non-Independent Non-Executive Director, and four (4) Independent Non-Executive Directors. This composition fulfils the requirements as set out under Rule 15.02(1) of the AMLR, which stipulates that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of knowledge, skills, experience and expertise in areas such as public administration, tyre and tyre retreading, banking, accounting and audit and legal.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Nominating Committee

The Nominating Committee, established by the Board with specific terms of reference which is available on the Company's website at www.eversafe.com.my, comprises the following Directors as its members:

- Tan Sri Dato' Dr. Sak Cheng Lum (*Chairman*)
- Mr. Cheah Eu Lee
- Mr. Ng Meng Kwai

The Nominating Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It is also tasked to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director.

The final decision on the appointment of Director in respect of a candidate recommended by the Nominating Committee rests with the Board. The Company Secretaries ensure that all appointments are properly made upon obtaining all necessary information from the Director. During the financial year under review, the Nominating Committee met once, to assess the Board, Board Committees and individual Directors in relation to their performance and contribution towards meeting the needs of the Company. The evaluation took into consideration the competency, experience, character, integrity and time availability, including the mix of skills, of the Directors concerned. The Nominating Committee had also reviewed the Board composition, gender diversity and whether the Board possesses the right mix of skills and balance as well as considering the Board's succession planning and making recommendations for new appointment of Directors and Board Committees as well as identifying training programmes for the Board.

The Nominating Committee also recommends to the Board those Directors who are retiring at the forthcoming Annual General Meeting for re-election. Pursuant to the MCCG 2017, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. The Board must justify and seek shareholders' approval should the Board wishes to retain such Director as an Independent Director. None of the Independent Directors of the Company has served as an Independent Director for a cumulative term of nine (9) years as at to-date.

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. The evaluation of suitable candidates is solely based on the candidates' competency, character, time availability, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be. Before an appointment is made by the Board, the Nominating Committee is required to evaluate the existing balance of skills, knowledge, experience and diversity on the Board, and in light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nominating Committee shall:

- (i) consider candidates from a wide range of backgrounds and skills as considered appropriate;
- (ii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

Presently, the Board of Eversafe Rubber is made up of members who are diverse in skills, experience, age, cultural background and gender.

Remuneration Committee

The Remuneration Committee, established by the Board with specific terms of reference, comprises the following Directors:

- Tan Sri Dato' Dr. Sak Cheng Lum (*Chairman*)
- Haji Mohd Isa bin Haji Talib
- Dato' Seri Cheah Eu Kiat

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Remuneration Committee *cont'd*

The Remuneration Committee is responsible for reviewing and recommending the remuneration packages of Executive Directors and Non-Executive Directors as well as to review the general remuneration policy and procedures of the Group. Where a committee member's own remuneration is under discussion or deliberation, the said Director will abstain. The aggregate total of Directors' fees is subject to shareholders' approval at the Annual General Meeting. During the financial year under review, 1 meeting was held to review the remuneration packages of the Directors.

Generally, the remuneration package will be structured according to the skills, experience and performance of the Executive Directors to ensure that the Group attracts and retains the Directors needed to run the Group successfully. The remuneration package of the Non-Executive Directors will depend on their contribution to the Group in terms of their knowledge and experience.

The following section shows the summary of total remuneration to Executive and Non-Executive Directors by type of remuneration.

2017	Company		Subsidiaries		Benefits -in kind RM'000	Others RM'000	Total RM'000
	Fees RM'000	Fees RM'000	Salary RM'000	Bonus RM'000			
Executive Directors							
Dato' Seri Cheah Eu Kiat	30	40	180	24	28	18	320
Eu Ah Seng	30	15	156	28	17	13	259
Cheah Siang Tee	30	40	348	50	12	52	532
Non-Executive Directors							
Tan Sri Dato' Dr. Sak Cheng Lum	30	-	-	-	-	-	30
Cheah Eu Lee	30	40	-	-	-	-	70
Haji Mohd Isa bin Haji Talib	30	-	-	-	-	-	30
Ng Meng Kwai	30	-	-	-	-	-	30
Ong Beow Chieh	30	-	-	-	-	-	30

The Group has in place a remuneration structure for all employees, including key senior management, with the intention of attracting, retaining and motivating employees. The remuneration structure is intended to reward employees according to the achievement of business and performance objectives. Pursuant to Practice 7.2 of the MCG 2017, the Company should disclose the remuneration components of 5 highest remunerated key senior management, on a named basis, including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000. Notwithstanding the above, the Board is of the view that such disclosure should not be made publicly available as it will give rise to conflict as well as recruitment and talent retention issues.

Reinforce Independence of the Board

The Independent Non-Executive Directors contribute objective and independent views, advice and judgment on interests, not only of the Company, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

The Board recognizes the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. The definition on independence accords with the AMLR. The independent directors have also declared their Independence Status on a yearly basis to the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Reinforce Independence of the Board *cont'd*

The Board is aware that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years as stated in the MCGG 2017. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. In the event the Board wishes to retain such director as an independent director, the Board will justify and seek shareholders' approval. In justifying the decision the Nominating Committee is entrusted to assess and justify the candidate's suitability to continue as an Independent director and the reasons for maintaining him as Independent Director would be disclosed in the Notice of Annual General Meeting. Presently, all Independent Directors have not attained the cumulative nine (9) years of service.

Foster Commitment of Directors

The Board ordinarily meets at least 5 times a year. Their meetings are scheduled well in advance to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to study for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major strategic, operational and financial issues. The Chairman of the Audit Committee briefs the Directors at each Board meeting of salient matters noted by the Audit Committee, if any, and which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings and the minutes are circulated in a timely manner.

Board Meetings

There were 3 Board meetings held during the financial year ended 31 December 2017, with details of Directors' attendance set out below:

Name of Director	Attendance
Tan Sri Dato' Dr. Sak Cheng Lum	3/3
Dato' Seri Cheah Eu Kiat	3/3
Eu Ah Seng	3/3
Cheah Siang Tee	3/3
Cheah Eu Lee	3/3
Haji Mohd Isa bin Haji Talib	3/3
Ng Meng Kwai	3/3
Ong Beow Chieh	3/3

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. The Board is satisfied with the time commitment given by the Board members in carrying out their responsibility which is shown in the above attendance.

Directors' Training – Continuing Education Programmes

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors will continue to identify and attend other training courses to equip themselves effectively to discharge their duties as Directors on a continuous basis. The Board, via the Nominating Committee, assesses the training needs of each Director on an annual basis in accordance with the Nominating Committee's Terms of Reference, by determining areas that would best strengthen their contributions to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Directors' Training – Continuing Education Programmes *cont'd*

The Board is mindful of the importance for its members to undergo continuous training to be apprised of changes to regulatory requirements and the impact such regulatory requirements have on the Group. Amongst the training programmes, seminars and/or training attended by the Directors during the financial year ended 31 December 2017 are as follows:

Name of Director	Conferences, Seminars and/or Training
Dato' Seri Cheah Eu Kiat	Mandatory Accreditation Programme
Eu Ah Seng	Mandatory Accreditation Programme
Cheah Siang Tee	Mandatory Accreditation Programme
Cheah Eu Lee	Mandatory Accreditation Programme
Ng Meng Kwai	<ul style="list-style-type: none"> • Mandatory Accreditation Programme • Risk Management Training for Directors • Integrated Reporting Breakfast Talk
Haji Mohd Isa bin Haji Talib	Mandatory Accreditation Programme
Ong Beow Chieh	<ul style="list-style-type: none"> • Mandatory Accreditation Programme • Recent Amendments to the Solicitors' Remuneration Order (SRO)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of the Group's results to Bursa Malaysia, the annual financial statements of the Group and Company as well as the Annual Report.

Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising exclusively Independent Non-Executive Directors as below:

- Ng Meng Kwai (*Chairman*)
- Tan Sri Dato' Dr. Sak Cheng Lum
- Haji Mohd Isa bin Haji Talib

The detailed composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of page 25 in this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

A policy governing the provision of non-audit services by the external auditors, in view of maintaining their independence and objectivity, has been developed and adopted by the Audit Committee.

In assessing the independence of external auditors, the Audit Committee has obtained confirmation from the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has formalised pertinent policies and procedures not only to comply with the disclosure requirements as stipulated in the AMLR of Bursa Securities, but also identify the persons responsible to approve and disclose material information to the regulators, shareholders and stakeholders.

Shareholder Participation at General Meeting

The Annual General Meeting (“**AGM**”) and/or Extraordinary General Meeting (“**EGM**”) are the principal forums for shareholder dialogue. The AGM allows shareholders to review the Group’s performance via the Company’s Annual Report and pose questions to the Board for clarification on any issues and to gain better understanding of the Group’s business affairs and performance. At the AGM or EGM, shareholders participate in deliberating resolutions being proposed or on the Group’s operations in general.

Notices of each AGM and EGM are issued in a timely manner to all shareholders. The Notice of AGM is circulated at least twenty-eight (28) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group’s operations in general.

The Company will put all resolutions to vote by poll commencing from the next AGM or EGM of the Company.

Communication and Engagement with Shareholders

The Board recognises the importance of being transparent and accountable to the Company’s investors and, as such, has various channels to maintain communication with them. The various channels are through the quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the AGMs and EGMs and through the Group’s website where shareholders can access pertinent information concerning the Group.

Statement of Directors’ Responsibility in Respect of the Financial Statements

The Group’s financial statements have been drawn up in accordance with the applicable accounting standards in Malaysia and the Companies Act 2016. The financial statements give a true and fair view of the state of the affairs of the Group at the end of the financial year, and of the profit and cash flows for the financial year.

In preparing the financial statements, the Directors are also responsible for:

- The adoption of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable;
- Ensuring that all applicable financial reporting standards have been followed; and
- Preparing financial statements on a going concern basis as the Directors have reasonable expectations, having made enquiries that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility of ensuring that the Company maintains adequate accounting records and sufficient internal controls to safeguard the assets and to prevent fraud or other irregularities in the Group.

This Corporate Governance Overview Statement has been approved by the Board of Eversafe Rubber on 9 April 2018.

ADDITIONAL COMPLIANCE INFORMATION

Other information required under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”)

STATUS OF UTILISATION OF PROCEEDS

The entire enlarged issued share capital of the Company comprising 240,593,796 ordinary shares was listed on the ACE Market of Bursa Securities on 21 April 2017. Pursuant to the said listing, the Company had successfully raised gross proceeds of RM17.28 million from the issuance of 48,000,000 new ordinary shares in the Company at an issue price of RM0.36 per share. The status of the utilisation of proceeds raised as at 31 December 2017 are as follows:

Details of Utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	⁽¹⁾ Deviation RM'000	Balance unutilised RM'000	Estimated time frame for utilisation
New manufacturing lines and enhanced automation systems	12,580	(8,955) ⁽²⁾	293	3,918	Within 24 months
Establish intellectual property rights and overseas branding initiative	1,500	(129)	-	1,371	Within 36 months
Estimated listing expenses	3,200	(2,907)	(293)	-	Immediate
Total	17,280	(11,991)	-	5,289	

Notes:

- (1) All listing expenses have been fully paid. Accordingly, the balance of RM0.293 million will be utilised for new manufacturing lines and enhancing automation systems.
- (2) A portion represents capital expenditure incurred prior to the initial public offering which was funded using internally generated funds and bank borrowings.

AUDIT AND NON-AUDIT FEES

The following table shows the sum of audit and non-audit fees paid and payable to the Company's external auditors during the financial year under review:

	Group		Company	
	Paid RM'000	Payable RM'000	Paid RM'000	Payable RM'000
Audit fees	-	110	-	12
Non-audit fees				
- Fees for other services	388	-	373	-
Total	388	110	373	12

The paid amounts above are in relation to the fees incurred during the FYE 31 December 2016 which were paid during the financial year under review. The payable amounts are all in relation to fees incurred but not paid during the financial year under review.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Group involving the interest of any directors and/or major shareholders not in the ordinary course of business during the financial year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are fully accountable for ensuring that the financial statements are drawn up in accordance with the requirements of the Companies Act 2016 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the operational results and cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements for the financial year ended 31 December 2017, the Directors have:

- (i) applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards;
- (ii) made judgments and estimates that are reasonable; and
- (iii) applied the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy the financial position of the Group and the Company and to enable proper financial statements to be prepared in accordance with the applicable laws and regulations. The Directors also have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Statement of Director's Responsibility has been approved by the Board of Eversafe Rubber Berhad on 9 April 2018.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS



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DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which are involved in the manufacturing and sale of rubber based tyre retread products. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year, attributable to owners of the parent	430,522	2,351,238

DIVIDEND

Dividend paid, declared or proposed since the end of the previous financial year was as follows:

	Company RM
In respect of financial year ended 31 December 2017:	
Single tier interim dividend of 1.80 sen per ordinary share, paid on 14 July 2017	4,330,688

The Directors do not recommend any payment of final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid up ordinary share capital of the Company was increased from RM48,148,449 to RM65,428,449 by way of issuance of 48,000,000 new ordinary shares at an issue price of RM0.36 each for cash pursuant to its Initial Public Offering exercise. The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

There were no other issuance of shares and debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS' REPORT

cont'd

DIRECTORS

The Directors who have held office since the date of the last report are:

Eversafe Rubber Berhad

Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.
 Eu Ah Seng
 Cheah Eu Lee
 Cheah Siang Tee
 Tan Sri Dato' Dr. Sak Cheng Lum
 Haji Mohd Isa Bin Haji Talib
 Ng Meng Kwai
 Ong Beow Chieh

Subsidiaries of Eversafe Rubber Berhad

Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.
 Eu Ah Seng
 Cheah Eu Lee
 Cheah Siang Tee
 Sang Ah Weng
 Eu Hong Lim
 Cheah Eu Siang (Deceased on 18 June 2017)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia were as follows:

	← Number of ordinary shares →			
	Balance as at 1.1.2017	Bought	Sold*	Balance as at 31.12.2017
Shares in the Company				
<u>Direct interests:</u>				
Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.	18,227,504	0	(2,839,266)	15,388,238
Eu Ah Seng	19,790,005	0	(3,082,655)	16,707,350
Cheah Eu Lee	0	1,000,000	0	1,000,000
Cheah Siang Tee	0	700,000	0	700,000
<u>Indirect interests:</u>				
Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.	138,461,444	0	(21,567,898)	116,893,546

* These shares were placed out in relation to the Offer for Sale pursuant to the Initial Public Offering of the Company.

By virtue of his substantial interests in the shares of the Company, Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP. is also deemed to have interest in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS *cont'd*

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the following:

- (i) remuneration received or due and receivable by a Director from certain related corporations in his capacity as Director or executive of the related corporations; and
- (ii) deemed benefits arising from related party transactions as disclosed in Note 36 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 31 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors and auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the charge out of listing expenses amounting to RM2,385,469 to the statements of profit or loss and other comprehensive income.

DIRECTORS' REPORT

cont'd

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY *cont'd*

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 are disclosed in Note 31 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Dato' Seri Cheah Eu Kiat,
DGPN. DSPN. PJK. JP.
 Director

Cheah Siang Tee
 Director

Penang
 9 April 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 46 to 85 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Seri Cheah Eu Kiat,
DGPN. DSPN. PJK. JP.
Director

Cheah Siang Tee
Director

Penang
9 April 2018

STATUTORY DECLARATION

I, Cheah Siang Tee, being the Director primarily responsible for the financial management of Eversafe Rubber Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 85 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly]
declared by the abovenamed]
at Georgetown in the State of]
Penang this 9 April 2018]

Cheah Siang Tee

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the Members of Eversafe Rubber Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Eversafe Rubber Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 85.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables

As at 31 December 2017, trade receivables of the Group amounted to RM29,246,560 and the associated impairment losses of trade receivables was RM1,028,076. The details of trade receivables and their credit risk have been disclosed in Note 9 to the financial statements.

Management recognised allowances for impairment losses on trade receivables based on specific known facts or circumstances on customers' abilities to pay.

The determination of whether the trade receivables are recoverable involves significant management judgement and inherent subjectivity given uncertainty regarding the ability of the trade receivables to settle their debts. We focused on the audit risk that the trade receivables may be overstated and hence, further impairment losses may be required.

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

- (i) assessed the recoverability of trade receivables by reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (ii) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

INDEPENDENT AUDITORS' REPORT

to the Members of Eversafe Rubber Berhad

cont'd

Key Audit Matters *cont'd*

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

INDEPENDENT AUDITORS' REPORT

to The Members Of Eversafe Rubber Berhad

cont'd

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF: 0206
Chartered Accountants

Lee Beng Tuan
3271/07/18 (J)
Chartered Accountant

Penang
9 April 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	33,550,109	32,660,635	0	0
Intangible asset	6	21,700	43,400	0	0
Investments in subsidiaries	7	0	0	48,148,447	48,148,447
Trade receivables	9	1,361,273	29,078	0	0
		34,933,082	32,733,113	48,148,447	48,148,447
Current assets					
Inventories	8	13,739,290	13,078,646	0	0
Trade receivables	9	27,885,287	23,614,485	0	0
Other receivables, deposits and prepayments	10	3,802,570	2,836,151	2,000	0
Amounts owing by subsidiaries	11	0	0	4,111,913	0
Amounts owing by related companies	12	0	433,035	0	0
Amounts owing by related parties	13	733,332	0	0	0
Current tax assets		110,895	110,926	0	0
Cash and bank balances	14	20,115,662	10,712,326	10,447,468	2
		66,387,036	50,785,569	14,561,381	2
TOTAL ASSETS		101,320,118	83,518,682	62,709,828	48,148,449
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	65,428,449	48,148,449	65,428,449	48,148,449
Reserves	16	2,971,813	7,406,989	(2,741,819)	(240,369)
TOTAL EQUITY		68,400,262	55,555,438	62,686,630	47,908,080

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

cont'd

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	17	3,785,416	4,234,341	0	0
Borrowings	18	1,708,834	1,265,655	0	0
		5,494,250	5,499,996	0	0
Current liabilities					
Trade payables	22	3,925,967	3,572,731	0	0
Other payables and accrued expenses	23	2,715,794	2,157,896	17,098	12,000
Amount owing to a subsidiary	24	0	0	0	93,584
Amount owing to ultimate holding company	25	0	155,985	0	134,785
Amounts owing to related companies	26	0	15,490	0	0
Amounts owing to related parties	27	33,953	0	0	0
Amounts owing to Directors	28	197,715	111,901	0	0
Borrowings	18	20,009,757	15,508,469	0	0
Current tax liabilities		542,420	940,776	6,100	0
		27,425,606	22,463,248	23,198	240,369
TOTAL LIABILITIES		32,919,856	27,963,244	23,198	240,369
TOTAL EQUITY AND LIABILITIES		101,320,118	83,518,682	62,709,828	48,148,449

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	29	90,773,348	74,740,275	5,084,863	0
Cost of sales		(74,164,175)	(55,584,409)	0	0
Gross profit		16,609,173	19,155,866	5,084,863	0
Other operating income		1,077,847	3,093,440	250,674	0
Distribution costs		(5,865,240)	(5,021,792)	0	0
Administrative expenses		(6,331,135)	(6,252,599)	(556,730)	(228,682)
Listing expenses		(2,385,469)	0	(2,385,469)	0
Other operating expenses		(1,212,622)	(78,597)	0	0
Profit/(Loss) from operations		1,892,554	10,896,318	2,393,338	(228,682)
Finance income		157,378	157,490	0	0
Finance costs		(853,383)	(512,582)	0	0
Profit/(Loss) before tax	31	1,196,549	10,541,226	2,393,338	(228,682)
Tax expense	32	(766,027)	(2,273,341)	(42,100)	0
Profit/(Loss) from continuing operations for the financial year, attributable to owners of the parent		430,522	8,267,885	2,351,238	(228,682)
Loss for the financial year from discontinued operations, net of tax	33	0	(254,959)	0	0
Profit/(Loss) for the financial year, attributable to owners of the parent		430,522	8,012,926	2,351,238	(228,682)
<i>Other comprehensive loss:</i>					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translations, net of tax		(13,010)	(594,250)	0	0
Total comprehensive income/(loss), attributable to owners of the parent		417,512	7,418,676	2,351,238	(228,682)
Earnings per ordinary share attributable to owners of the parent (sen):	34				
- Basic and diluted					
Profit from continuing operations		0.19	7.10		
Loss from discontinued operations		0	(0.22)		
Profit for the financial year		0.19	6.88		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

Group	Note	← Non-distributable →			→ Distributable		Total equity
		Share capital	Capital reserve	Foreign currency translation reserve	Reorganisation debit reserve	Retained earnings	
		RM	RM	RM	RM	RM	RM
Balance as at 1 January 2016		9,843,752	7,104	(644,908)	1,389,739	37,541,075	48,136,762
Profit for the financial year		0	0	0	0	8,012,926	8,012,926
Other comprehensive loss, net of tax		0	0	(594,250)	0	0	(594,250)
Total comprehensive income		0	0	(594,250)	0	8,012,926	7,418,676
Transactions with owners:							
Acquisition of subsidiaries in business combination under common control	15	38,304,697	0	0	(38,304,697)	0	0
Total transactions with owners		38,304,697	0	0	(38,304,697)	0	0
Balance as at 31 December 2016		48,148,449	7,104	(1,239,158)	(36,914,958)	45,554,001	55,555,438
Balance as at 1 January 2017		48,148,449	7,104	(1,239,158)	(36,914,958)	45,554,001	55,555,438
Profit for the financial year		0	0	0	0	430,522	430,522
Other comprehensive loss, net of tax		0	0	(13,010)	0	0	(13,010)
Total comprehensive income		0	0	(13,010)	0	430,522	417,512
Transactions with owners:							
Ordinary shares issued pursuant to Initial Public Offering	15	17,280,000	0	0	0	0	17,280,000
Share issue expenses		0	0	0	0	(522,000)	(522,000)
Dividend paid	35	0	0	0	0	(4,330,688)	(4,330,688)
Total transactions with owners		17,280,000	0	0	0	(4,852,688)	12,427,312
Balance as at 31 December 2017		65,428,449	7,104	(1,252,168)	(36,914,958)	41,131,835	68,400,262

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

cont'd

Company	Note	← Non-distributable →		Total equity
		Share capital	Accumulated losses	
		RM	RM	RM
Balance as at 1 January 2016		2	(11,687)	(11,685)
Loss for the financial year		0	(228,682)	(228,682)
Other comprehensive loss, net of tax		0	0	0
Total comprehensive loss		0	(228,682)	(228,682)
Transactions with owners:				
Ordinary shares issued pursuant to acquisition of subsidiaries	15	48,148,447	0	48,148,447
Total transactions with owners		48,148,447	0	48,148,447
Balance as at 31 December 2016		48,148,449	(240,369)	47,908,080
Balance as at 1 January 2017		48,148,449	(240,369)	47,908,080
Profit for the financial year		0	2,351,238	2,351,238
Other comprehensive income, net of tax		0	0	0
Total comprehensive income		0	2,351,238	2,351,238
Transactions with owners:				
Ordinary shares issued pursuant to Initial Public Offering	15	17,280,000	0	17,280,000
Share issue expenses		0	(522,000)	(522,000)
Dividend paid	35	0	(4,330,688)	(4,330,688)
Total transactions with owners		17,280,000	(4,852,688)	12,427,312
Balance as at 31 December 2017		65,428,449	(2,741,819)	62,686,630

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax from:					
Continuing operations		1,196,549	10,541,226	2,393,338	(228,682)
Discontinued operations		0	(254,959)	0	0
Adjustments for:					
Amortisation of intangible asset	6	21,700	21,700	0	0
Bad debts written off		3,514	68,138	0	0
Depreciation of property, plant and equipment	5	4,027,790	3,601,144	0	0
Finance costs		853,383	512,582	0	0
Finance income		(157,378)	(157,490)	0	0
Loss/(Gain) on disposal of property, plant and equipment		9,746	(13,999)	0	0
Impairment loss on trade receivables	9	539,928	0	0	0
Inventories written off	8	0	32,214	0	0
Inventories written back	8	(44,233)	0	0	0
Loss on disposal of a former subsidiary	33	0	11,013	0	0
Reversal of impairment loss on trade receivables	9	(7,566)	0	0	0
Gain on foreign exchange		(2,119,827)	(2,760,573)	0	0
Operating profit/(loss) before changes in working capital		4,323,606	11,600,996	2,393,338	(228,682)
Changes in working capital:					
Inventories		(748,606)	(1,736,909)	0	0
Trade receivables		(4,525,961)	(1,509,078)	0	0
Other receivables, deposits and prepayments		(1,118,215)	(1,385,232)	(2,000)	313
Trade payables		781,027	(2,010,628)	0	0
Other payables and accrued expenses		693,901	252,413	5,098	0
Amount owing by/to ultimate holding company		(155,985)	178,222	(134,785)	134,785
Amount owing by/to subsidiaries		0	0	(4,205,497)	93,584
Amounts owing by/to related companies		417,545	653,989	0	0
Amounts owing by/to related parties		(699,379)	0	0	0
Amounts owing to Directors		87,689	(127,810)	0	0
Cash (used in)/generated from operations		(944,378)	5,915,963	(1,943,846)	0
Tax paid		(1,656,734)	(1,597,536)	(36,000)	0
Tax refunded		49,205	166,974	0	0
Net cash (used in)/from operating activities		(2,551,907)	4,485,401	(1,979,846)	0

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2017

cont'd

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries for cash, net of cash acquired	7	0	0	0	(48,148,447)
Interest received		157,378	157,490	0	0
Placement of short-term deposits		0	(1,500,000)	0	0
Proceeds from disposal of property, plant and equipment		15,080	14,000	0	0
Proceeds from disposal of a former subsidiary	33	0	(92,775)	0	0
Purchase of property, plant and equipment	5	(4,638,228)	(4,086,519)	0	0
Net cash used in investing activities		(4,465,770)	(5,507,804)	0	(48,148,447)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	35	(4,330,688)	(492,187)	(4,330,688)	0
Interest paid		(853,383)	(512,582)	0	0
Issuance of ordinary shares	15	17,280,000	0	17,280,000	48,148,447
Share issue expenses		(522,000)	0	(522,000)	0
Net drawdowns of bank borrowings		5,298,159	1,484,531	0	0
Repayments of hire purchase and lease creditors		(297,527)	(315,008)	0	0
Placements of short-term deposits pledged as securities		1,380,804	(610,665)	0	0
Net cash from/(used in) financing activities		17,955,365	(445,911)	12,427,312	48,148,447
Net increase/(decrease) in cash and cash equivalents		10,937,688	(1,468,314)	10,447,466	0
Effects of foreign exchange rates changes		(30,521)	(28,709)	0	0
Cash and cash equivalents at the beginning of financial year		2,710,075	4,207,098	2	2
Cash and cash equivalents at end of financial year	14(d)	13,617,242	2,710,075	10,447,468	2

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2017

cont'd

Reconciliation of Liabilities Arising from Financing Activities

	Bankers' acceptances and term loans (Note 18)		Hire purchase and lease creditors (Note 20)	
	Group RM	Company RM	Group RM	Company RM
Balance at 1 January 2017	14,469,544	0	765,395	0
Cash flows	5,298,159	0	(297,527)	0
Non-cash flows:				
- Purchase of property, plant and equipment	0	0	368,000	0
- Effect of foreign exchange	(301,138)	0	0	0
Balance at 31 December 2017	19,466,565	0	835,868	0

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE INFORMATION

Eversafe Rubber Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

Bursa Malaysia Securities Berhad has, vide its letter dated 14 December 2016, approved the application of the Company for the proposed listing of and quotation for the entire issued and paid-up share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. The ordinary shares of the Company were listed on the ACE Market of Bursa Malaysia Securities Berhad on 21 April 2017.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Lot 94, Lebuhr Portland, Tasek Industrial Estate, 31400 Ipoh, Perak, Malaysia.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia (‘RM’), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 9 April 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which are involved in the manufacturing and sale of rubber based tyre retread products. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (‘MFRSs’), International Financial Reporting Standards (‘IFRSs’) and the provisions of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the financial statements.

In the previous financial year, the Group applied the merger method of accounting on a retrospective basis arising from the acquisition of the entire equity interest of Olympic Retreads (M) Sdn. Bhd. by Eversafe Rubber Works Sdn. Bhd. and the acquisition of the entire equity interest of Eversafe Rubber Works Sdn. Bhd. by the Company in business combinations under common control. Consequently, the Group presented comparative information as if the business combinations had taken place before the start of the earliest period presented in the financial statements.

Assets, liabilities, income and expenses of Olimpik Jaya (M) Sdn. Bhd. have been included in the financial statements from 1 January 2015 until the date the Group lost control of the entity on 2 May 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

*cont'd***3. BASIS OF PREPARATION** *cont'd*

Consequently, the following accounting treatment has been applied in the consolidated financial statements arising from the business combinations under common control:

- (a) Assets and liabilities of Olympic Retreads (M) Sdn. Bhd. and Eversafe Rubber Works Sdn. Bhd. are recognised and measured at their pre-business combination carrying amount without restatement to fair value;
- (b) Retained earnings and other equity reserves of the Group as at 1 January 2015 are those of Olympic Retreads (M) Sdn. Bhd. and Eversafe Rubber Works Sdn. Bhd.;
- (c) Share capital as at 1 January 2015 reflects the share capital of Eversafe Rubber Works Sdn. Bhd. prior to the incorporation of the Company; and
- (d) The consolidated statement of financial position as at 31 December 2016 represents the financial position of the Group after reflecting the effect of the acquisitions during the previous financial year.

4. OPERATING SEGMENTS

The Group is principally involved in the manufacturing and sale of rubber based tyre retread products.

No product and services segment information is presented as the Chief Operating Decision Maker ('CODM') views the Group as a single reportable segment.

Geographical information

Segment revenue is based on geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the assets of the Group.

	2017	2016
	RM	RM
Revenue from external customers		
Malaysia	36,551,941	32,182,582
Japan	13,950,865	13,795,770
Hong Kong	6,619,115	6,271,888
Brazil	6,681,668	999,701
Singapore	6,488,479	5,544,074
Turkey	5,091,612	3,762,224
Korea	2,076,416	683,767
People's Republic of China	1,985,839	1,628,903
Indonesia	1,982,008	3,589,298
Thailand	1,618,301	877,411
Others	7,727,104	5,404,657
	<u>90,773,348</u>	<u>74,740,275</u>
Non-current assets		
Malaysia	33,862,659	32,264,821
People's Republic of China	304,590	468,292
Hong Kong	765,833	0
	<u>34,933,082</u>	<u>32,733,113</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

4. OPERATING SEGMENTS *cont'd*

Major customer

There is only one major customer contributing approximately RM11,563,000 (2016: RM10,700,000) of the revenue of the Group, which equals to ten percent (10%) or more of the revenue of the Group.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Balance as at 1.1.2017	Additions	Disposals	Currency translation differences	Depreciation charge for the financial year	Balance as at 31.12.2017
	RM	RM	RM	RM	RM	RM
Carrying amount						
Long-term leasehold land and buildings	12,020,938	103,938	0	0	(292,493)	11,832,383
Plant and machinery	13,727,762	3,285,363	(1)	(30,643)	(2,571,082)	14,411,399
Factory equipment	2,303,967	582,968	(23,913)	0	(388,266)	2,474,756
Furniture, fixtures and office equipment	551,312	68,033	(912)	(918)	(110,485)	507,030
Electrical installation	2,235,741	32,643	0	(111)	(178,858)	2,089,415
Factory renovation	1	0	0	0	0	1
Signboards	1	0	0	0	0	1
Motor vehicles	1,820,913	904,041	0	(32,466)	(486,606)	2,205,882
Capital work-in-progress	0	29,242	0	0	0	29,242
	32,660,635	5,006,228	(24,826)	(64,138)	(4,027,790)	33,550,109
					← At 31.12.2017 →	
					Accumulated Cost	Carrying amount
					RM	RM
Long-term leasehold land and buildings				14,659,479	(2,827,096)	11,832,383
Plant and machinery				33,746,173	(19,334,774)	14,411,399
Factory equipment				5,354,633	(2,879,877)	2,474,756
Furniture, fixtures and office equipment				1,981,005	(1,473,975)	507,030
Electrical installation				3,023,806	(934,391)	2,089,415
Factory renovation				29,506	(29,505)	1
Signboards				13,961	(13,960)	1
Motor vehicles				4,793,936	(2,588,054)	2,205,882
Capital work-in-progress				29,242	0	29,242
				63,631,741	(30,081,632)	33,550,109

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group 2016	Balance as at 1.1.2016	Additions	Disposals	Transferred to intangible asset (Note 6)	Currency translation differences	Depreciation charge for the financial year	Balance as at 31.12.2016
	RM	RM	RM	RM	RM	RM	RM
Carrying amount							
Long-term leasehold land and buildings	12,312,913	0	0	0	0	(291,975)	12,020,938
Plant and machinery	12,901,508	3,105,008	0	0	(18,277)	(2,260,477)	13,727,762
Factory equipment	2,120,683	523,789	(1)	0	0	(340,504)	2,303,967
Furniture, fixtures and office equipment	625,206	39,310	0	0	0	(113,204)	551,312
Electrical installation	2,208,584	198,830	0	0	333	(172,006)	2,235,741
Factory renovation	1	0	0	0	0	0	1
Signboards	1	0	0	0	0	0	1
Motor vehicles	1,607,078	639,582	0	0	(2,769)	(422,978)	1,820,913
Construction-in-progress	65,100	0	0	(65,100)	0	0	0
	<u>31,841,074</u>	<u>4,506,519</u>	<u>(1)</u>	<u>(65,100)</u>	<u>(20,713)</u>	<u>(3,601,144)</u>	<u>32,660,635</u>

← At 31.12.2016 →

Cost	Accumulated depreciation	Carrying amount
RM	RM	RM

Long-term leasehold land and buildings	14,555,541	(2,534,603)	12,020,938
Plant and machinery	30,542,025	(16,814,263)	13,727,762
Factory equipment	4,835,865	(2,531,898)	2,303,967
Furniture, fixtures and office equipment	1,916,692	(1,365,380)	551,312
Electrical installation	2,991,852	(756,111)	2,235,741
Factory renovation	29,506	(29,505)	1
Signboards	13,961	(13,960)	1
Motor vehicles	3,924,384	(2,103,471)	1,820,913
	<u>58,809,826</u>	<u>(26,149,191)</u>	<u>32,660,635</u>

- (a) Each class of property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

- (b) Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates. The principal depreciation periods are as follows:

Long-term leasehold land and buildings	62 to 94 years
Plant and machinery	10 years
Factory equipment	10 years
Furniture, fixtures and office equipment	3 to 20 years
Electrical installation	5 to 20 years
Factory renovation	10 years
Signboards	10 years
Motor vehicles	5 to 10 years

Capital work-in-progress represent plant and equipment under installation. Capital work-in-progress are not depreciated until such time when the assets are available for use.

- (c) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2017	2016
	RM	RM
Purchase of property, plant and equipment	5,006,228	4,506,519
Financed by hire purchase and lease arrangements	(368,000)	(420,000)
Cash payments on purchase of property, plant and equipment	4,638,228	4,086,519

- (d) Carrying amount of property, plant and equipment of the Group under finance lease as at the end of the reporting period are as follows:

	Group	
	2017	2016
	RM	RM
Motor vehicles	1,184,968	1,362,365

- (e) As at the end of the reporting period, certain property, plant and equipment of the Group have been charged to local banks for credit facilities granted to the Group as disclosed in Notes 19 and 21 to the financial statements as follows:

	Group	
	2017	2016
	RM	RM
Long-term leasehold land and buildings	4,253,056	4,259,247
Plant and machinery	4,971,478	5,759,665
	9,224,534	10,018,912

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

6. INTANGIBLE ASSET

	Group	
	2017	2016
Computer software	RM	RM
Cost		
Balance as at 1 January	65,100	0
Transferred from property, plant and equipment (Note 5)	0	65,100
Balance as at 31 December	65,100	65,100
Accumulated amortisation		
Balance as at 1 January	21,700	0
Amortisation charge for the year	21,700	21,700
Balance as at 31 December	43,400	21,700
Carrying amount		
Balance as at 31 December	21,700	43,400

- (a) Each class of intangible assets with finite useful lives are measured after initial recognition at cost less any accumulated amortisation and any accumulated impairment losses.
- (b) Amortisation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectations applied in the industry within which the Group operates. The principal amortisation period is as follows:

Computer software	3 years
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7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM	RM
Unquoted shares - at cost	48,148,447	48,148,447

- (a) Investments in subsidiaries are measured at cost less any accumulated impairment losses.
- (b) Business combinations under common control that were undertaken during the previous financial year are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

7. INVESTMENTS IN SUBSIDIARIES *cont'd*

(c) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2017 %	2016 %	
Eversafe Rubber Works Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of rubber based tyre retread products and provision of related services
Subsidiaries of Eversafe Rubber Works Sdn. Bhd.				
Eversafe Trading Sdn. Bhd.	Malaysia	100	100	Trading in rubber based tyre retreading products
Olympic Retreads (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing and distribution of retreaded tyres
Eversafe Trading (Shanghai) Co., Ltd.*	People's Republic of China	100	100	Trading in rubber based tyre retreading products
Supreme Good International Limited*	Hong Kong	100	100	Investment holding and manufacturing and distribution of retreaded tyres
Subsidiary of Eversafe Trading (Shanghai) Co., Ltd.				
Jiaying YongAn Rubber Co., Ltd.*	People's Republic of China	100	100 ^(#)	Production and sales of rubber products (without national restrictions prohibit products) and service of after sale of self-produced products

* The financial statements of these subsidiaries were audited by auditors other than the auditors of the Company.

(#) The effective interest in equity was held through Supreme Good International Limited.

- (d) On 20 October 2017, Supreme Good International Limited, an indirect subsidiary of the Company incorporated in Hong Kong, had disposed the entire equity interest in Jiaying YongAn Rubber Co., Ltd. to Eversafe Trading (Shanghai) Co., Ltd., another indirect subsidiary of the Company incorporated in People's Republic of China, for a total cash consideration of RMB2,036,917 (equivalent to approximately RM1,242,700). The disposal has no financial impact to the Group.
- (e) On 3 May 2016, Eversafe Rubber Works Sdn. Bhd. acquired the entire equity interest of Olympic Retreads (M) Sdn. Bhd. for a total consideration of RM4,670,702. Consequently, Olympic Retreads (M) Sdn. Bhd. became a wholly owned subsidiary of Eversafe Rubber Works Sdn. Bhd..
- (f) On 28 May 2016, the Company acquired 10,899,696 ordinary shares of RM1.00 each paid up in the capital of Eversafe Rubber Works Sdn. Bhd. for a total consideration of RM48,148,447.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

8. INVENTORIES

	Group	
	2017	2016
	RM	RM
At cost		
Raw materials	6,094,339	6,638,649
Work-in-progress	1,553,698	1,408,189
Finished goods	5,933,535	4,886,222
	13,581,572	12,933,060
At net realisable value		
Finished goods	157,718	145,586
	13,739,290	13,078,646

- (a) Costs of inventories are determined on the first-in, first-out formula other than for tyre casing, which is determined using the weighted average formula.
- (b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM71,552,986 (2016: RM41,636,417). Inventories written off recognised as cost of sales during the financial year amounted to RM Nil (2016: RM32,214).
- (c) The Group reversed RM44,233 (2016: RM Nil) in respect of inventories written down in the previous financial years that was subsequently not required as the Group was able to sell those inventories above their carrying amounts.

9. TRADE RECEIVABLES

	Group	
	2017	2016
	RM	RM
Non-current		
Trade receivables	1,622,845	36,644
Less: Accumulated impairment losses	(261,572)	(7,566)
	1,361,273	29,078
Current		
Trade receivables	28,651,791	24,102,633
Less: Accumulated impairment losses	(766,504)	(488,148)
	27,885,287	23,614,485
Total trade receivables	29,246,560	23,643,563

- (a) Trade receivables are classified as loans and receivables, and are measured at amortised cost using the effective interest method.
- (b) Non-current trade receivables are unsecured, interest-free and expected to be collected within the next four (4) financial years.
- (c) Current trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 0 to 90 days (2016: 0 to 90 days). They are recognised at original invoice amounts, which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

9. TRADE RECEIVABLES *cont'd*

(d) Currency exposure profile of trade receivables are as follows:

	Group	
	2017	2016
	RM	RM
Ringgit Malaysia ('RM')	13,920,211	7,334,126
US Dollar ('USD')	6,329,202	8,317,245
Renminbi ('RMB')	2,294,340	1,755,176
Australian Dollar ('AUD')	2,039,219	1,718,287
Japanese Yen ('JPY')	1,433,189	1,443,308
Euro ('EUR')	1,283,441	1,207,279
Hong Kong Dollar ('HKD')	998,538	786,356
Singapore Dollar ('SGD')	948,420	1,081,786
	29,246,560	23,643,563

(e) Subsidiaries operating in China and Hong Kong have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

(f) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in the foreign exchange rates against the functional currency of the Group, with all other variables held constant:

	Group	
	2017	2016
	RM	RM
USD/RM		
- strengthen 3% (2016: 3%)	144,306	249,517
- weaken 3% (2016: 3%)	(144,306)	(249,517)
RMB/RM		
- strengthen 3% (2016: 3%)	52,311	52,655
- weaken 3% (2016: 3%)	(52,311)	(52,655)
AUD/RM		
- strengthen 3% (2016: 3%)	46,494	51,549
- weaken 3% (2016: 3%)	(46,494)	(51,549)

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

9. TRADE RECEIVABLES *cont'd*

(g) Ageing analysis of trade receivables of the Group are as follows:

	Group	
	2017	2016
	RM	RM
Neither past due nor impaired	13,158,948	14,456,587
Past due, but not impaired:		
1 to 30 days	3,493,162	2,084,327
More than 30 days	9,602,333	7,073,571
	13,095,495	9,157,898
Past due and individually impaired	4,020,193	524,792
	<u>30,274,636</u>	<u>24,139,277</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired as at the end of reporting period are with expectations of low default risk. The capacity for payment is considered strong.

Receivables that are past due but not impaired

Based on past experience, the Group is satisfied that no impairment is necessary in respect of these trade receivables. These trade receivables are substantially from companies with good collection track records and no recent history of default. These trade receivables are unsecured in nature.

Receivables that are past due and impaired

Trade receivables of the Group that are past due and individually impaired at the end of each reporting period are as follows:

Group	Individually impaired	
	2017	2016
	RM	RM
Trade receivables, gross	4,020,193	524,792
Less: Impairment losses	(1,028,076)	(495,714)
	<u>2,992,117</u>	<u>29,078</u>

(h) Reconciliation of movements in the accumulated impairment losses are as follows:

	Group	
	2017	2016
	RM	RM
Balance as at 1 January	495,714	495,714
Charge for the financial year	539,928	0
Reversal of impairment losses	(7,566)	0
Balance as at 31 December	<u>1,028,076</u>	<u>495,714</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

9. TRADE RECEIVABLES *cont'd*

- (i) The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.
- (j) As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount recognised in the statements of financial position.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other receivables	189,418	318,285	0	0
Refundable deposits	2,554,153	111,403	2,000	0
Goods and Services Tax ('GST') receivable	661,246	756,746	0	0
	3,404,817	1,186,434	2,000	0
Prepayments	397,753	1,649,717	0	0
	3,802,570	2,836,151	2,000	0

- (a) Other receivables and deposits are classified as loans and receivables, and are measured at amortised cost using the effective interest method.
- (b) Currency exposure profile of loans and receivables are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
RM	915,902	1,087,131	2,000	0
HKD	70,364	3,384	0	0
RMB	50,316	95,919	0	0
	1,036,582	1,186,434	2,000	0

- (c) Sensitivity analysis of foreign currencies are not disclosed as they are not material to the Group.

11. AMOUNTS OWING BY SUBSIDIARIES

- (a) Amounts owing by subsidiaries are classified as loans and receivables, and are measured at amortised cost using the effective interest method.
- (b) Amounts owing by subsidiaries arose from non-trade transactions, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (c) Amounts owing by subsidiaries are denominated in RM.

NOTES TO THE FINANCIAL STATEMENTS

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*cont'd***12. AMOUNTS OWING BY RELATED COMPANIES**

- (a) Amounts owing by related companies were classified as loans and receivables, and were measured at amortised cost using the effective interest method.
- (b) Amounts owing by related companies arose from trade transactions and the normal trade credit terms granted by the Group ranged from 60 to 90 days.
- (c) Ageing analysis of amounts owing by related companies of the Group were as follows:

	Group 2016 RM
Neither past due nor impaired	336,784
Past due, but not impaired:	
1 to 30 days	96,251
	<u>433,035</u>

- (d) Amounts owing by related companies were denominated in RM.

13. AMOUNTS OWING BY RELATED PARTIES

- (a) Amounts owing by related parties are classified as loans and receivables, and are measured at amortised cost using the effective interest method.
- (b) Amounts owing by related parties arose from trade transactions and the normal trade credit terms granted by the Group range from 60 to 90 days.
- (c) Ageing analysis of amounts owing by related parties of the Group are as follows:

	Group 2017 RM
Neither past due nor impaired	271,053
Past due, but not impaired:	
1 to 30 days	124,921
More than 30 days	337,358
	<u>462,279</u>
	<u>733,332</u>

- (d) Amounts owing by related parties are denominated in RM.

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*cont'd***14. CASH AND BANK BALANCES**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	15,033,400	4,249,260	10,447,468	2
Deposits with licensed banks	5,082,262	6,463,066	0	0
	20,115,662	10,712,326	10,447,468	2

(a) Currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
RM	18,849,808	8,857,502	10,447,468	2
RMB	707,813	667,061	0	0
JPY	188,273	502,507	0	0
EUR	173,710	183,660	0	0
HKD	138,728	8,530	0	0
AUD	31,677	121,226	0	0
USD	25,653	371,840	0	0
	20,115,662	10,712,326	10,447,468	2

(b) Sensitivity analysis of foreign currencies are not disclosed as they are not material to the Group.

(c) Weighted average effective interest rate of deposits with licensed banks of the Group as at the end of each reporting period is 3.26% (2016: 2.21% to 4.03%).

(d) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	15,033,400	4,249,260	10,447,468	2
Deposits with licensed banks	5,082,262	6,463,066	0	0
Bank overdrafts included in borrowings (Note 18)	(1,416,158)	(1,539,185)	0	0
	18,699,504	9,173,141	10,447,468	2
Less: Deposits with licensed banks with maturity of over three (3) months	(1,500,000)	(1,500,000)	0	0
Less: Deposits pledged as securities	(3,582,262)	(4,963,066)	0	0
	13,617,242	2,710,075	10,447,468	2

NOTES TO THE FINANCIAL STATEMENTS

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15. SHARE CAPITAL

2017 Group and Company	Number of ordinary shares	RM
Issued and paid up:		
Balance as at 1 January 2017	192,593,796	48,148,449
Issuance of ordinary shares pursuant to Initial Public Offering	48,000,000	17,280,000
Balance as at 31 December 2017	<u>240,593,796</u>	<u>65,428,449</u>
2016 Group		
Issued and paid up:		
Balance as at 1 January 2016	9,843,752	9,843,752
Subdivision of ordinary shares	6	0
After subdivision	<u>9,843,758</u>	<u>9,843,752</u>
Effects of business combinations under common control:		
- Elimination of issued and paid up ordinary share capital of Eversafe Rubber Works Sdn. Bhd.	(9,843,750)	(9,843,750)
- Restated to the issued and paid up ordinary share capital of the Company	<u>192,593,788</u>	<u>48,148,447</u>
	182,750,038	38,304,697
Balance as at 31 December 2016	<u>192,593,796</u>	<u>48,148,449</u>
2016 Company		
Issued and paid up:		
Balance as at 1 January 2016	2	2
Subdivision of ordinary shares	6	0
After subdivision	<u>8</u>	<u>2</u>
Issuance of ordinary shares	<u>192,593,788</u>	<u>48,148,447</u>
Balance as at 31 December 2016	<u>192,593,796</u>	<u>48,148,449</u>

- (a) During the financial year, the issued and paid up ordinary share capital of the Company was increased from RM48,148,449 to RM65,428,449 by way of issuance of 48,000,000 new ordinary shares at an issue price of RM0.36 each for cash pursuant to its Initial Public Offering exercise. The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.
- (b) In the previous financial year, the issued and paid up ordinary share capital of the Company was increased from RM2 to RM48,148,449 by way of subdivision of 6 ordinary shares of RM0.25 each and issuance of 192,593,788 new ordinary shares of RM0.25 each for cash. The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.
- (c) Owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (d) With the introduction of the Companies Act, 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished.

NOTES TO THE FINANCIAL STATEMENTS

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16. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-distributable:				
Capital reserve	7,104	7,104	0	0
Foreign currency translation reserve	(1,252,168)	(1,239,158)	0	0
Reorganisation debit reserve	(36,914,958)	(36,914,958)	0	0
Distributable:				
Retained earnings/(Accumulated losses)	41,131,835	45,554,001	(2,741,819)	(240,369)
	<u>2,971,813</u>	<u>7,406,989</u>	<u>(2,741,819)</u>	<u>(240,369)</u>

(a) Capital reserve

Pursuant to applicable People's Republic of China ('PRC') regulations, subsidiaries of the Company incorporated in the PRC are required to allocate ten percent (10%) of their net profit for the financial year (after offsetting prior financial year losses, if any) to the statutory surplus reserve until it reaches fifty percent (50%) of their registered capital respectively. The transfer to the reserve shall be made before distribution of dividends to equity holders. The statutory surplus reserve could be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the respective subsidiaries, provided that the balance after such issue is not less than twenty-five percent (25%) of its registered capital.

(b) Foreign currency translation reserve

Foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations of the Group, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Reorganisation debit reserve

Reorganisation debit reserve arose as a result of the difference between consideration paid over the share capital and reserves of Supreme Good International Limited, Olympic Retreads (M) Sdn. Bhd. and Eversafe Rubber Works Sdn. Bhd. and its subsidiaries pursuant to business combinations under common control.

NOTES TO THE FINANCIAL STATEMENTS

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17. DEFERRED TAX LIABILITIES

- (a) Components and movements of the deferred tax liabilities during the financial year are as follows:

Deferred tax liabilities/(assets) of the Group

	Property, plant and equipment	Trade receivables	Inventories	Total
	RM	RM	RM	RM
Balance as at 1 January 2017	4,198,863	39,435	(3,957)	4,234,341
Recognised in profit or loss (Note 32)	(275,684)	(171,436)	3,957	(443,163)
Exchange differences	(5,762)	0	0	(5,762)
Balance as at 31 December 2017	3,917,417	(132,001)	0	3,785,416
Balance as at 1 January 2016	4,112,795	298,109	(460,060)	3,950,844
Recognised in profit or loss (Note 32)	86,068	(258,674)	456,103	283,497
Balance as at 31 December 2016	4,198,863	39,435	(3,957)	4,234,341

- (b) The amount of temporary differences for which no deferred tax asset has been recognised in the statements of financial position is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unused tax losses	4,931,460	3,439,141	0	0

These deferred tax assets have not been recognised as it is not probable that taxable profits would be available against which the deductible temporary differences could be utilised.

The unused tax losses of the Group which are derived from People's Republic of China and Hong Kong operations are available for offsetting against future taxable profits of the subsidiaries in People's Republic of China and Hong Kong respectively, subject to the agreement with the tax authority.

NOTES TO THE FINANCIAL STATEMENTS

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18. BORROWINGS

	Group	
	2017	2016
	RM	RM
Non-current liabilities		
Term loans (Note 19)	1,158,895	780,699
Hire purchase and lease creditors (Note 20)	549,939	484,956
	1,708,834	1,265,655
Current liabilities		
Bankers' acceptances	17,256,669	13,284,596
Term loans (Note 19)	1,051,001	404,249
Hire purchase and lease creditors (Note 20)	285,929	280,439
Bank overdrafts (Notes 14 (d) and 21)	1,416,158	1,539,185
	20,009,757	15,508,469
Total borrowings		
Bankers' acceptances	17,256,669	13,284,596
Term loans (Note 19)	2,209,896	1,184,948
Hire purchase and lease creditors (Note 20)	835,868	765,395
Bank overdrafts (Notes 14 (d) and 21)	1,416,158	1,539,185
	21,718,591	16,774,124

- (a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Currency exposure profile of borrowings are as follows:

	Group	
	2017	2016
	RM	RM
RM	15,895,922	10,013,915
USD	5,822,669	6,760,209
	21,718,591	16,774,124

- (c) A 3% strengthening/weakening of the RM against USD as at the end of the reporting period of the Group would have increased/decreased profit for the financial year by approximately RM132,757 (2016: RM202,806), with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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18. BORROWINGS *cont'd*

- (d) Maturity profile of borrowings as at the end of the reporting period based on contractual undiscounted repayment obligations are as follows:

Group	On demand or within one (1) year	One (1) to five (5) year	Total
	RM	RM	
2017			
Bankers' acceptances	17,256,669	0	17,256,669
Term loans	1,051,001	1,158,895	2,209,896
Hire purchase and lease creditors	322,448	608,993	931,441
Bank overdrafts	1,416,158	0	1,416,158
Total undiscounted financial liabilities	<u>20,046,276</u>	<u>1,767,888</u>	<u>21,814,164</u>
2016			
Bankers' acceptances	13,284,596	0	13,284,596
Term loans	404,249	780,699	1,184,948
Hire purchase and lease creditors	319,645	521,890	841,535
Bank overdrafts	1,539,185	0	1,539,185
Total undiscounted financial liabilities	<u>15,547,675</u>	<u>1,302,589</u>	<u>16,850,264</u>

- (e) The carrying amounts of borrowings, other than hire purchase and lease creditors, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.
- (f) Sensitivity analysis of interest rate as at the end of the reporting period assuming that all other variables remain constant are as follows:

	Group	
	2017	2016
	RM	RM
Profit after tax		
- Increase by 0.1% (2016: 0.1%)	(16,500)	(12,200)
- Decrease by 0.1% (2016: 0.1%)	<u>16,500</u>	<u>12,200</u>

NOTES TO THE FINANCIAL STATEMENTS

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18. BORROWINGS *cont'd*

- (g) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of the Group that are exposed to interest rate risk:

Group	Weighted average effective interest rate per annum	Within 1 year	1 - 2 years	2 - 5 years	Total
31 December 2017	%	RM	RM	RM	RM
Fixed rates					
Hire purchase and lease creditors	4.66	285,929	254,456	295,483	835,868
Floating rates					
Bankers' acceptances	3.78	17,256,669	0	0	17,256,669
Term loans	6.72	1,051,001	1,097,302	61,593	2,209,896
Bank overdrafts	7.86	1,416,158	0	0	1,416,158
31 December 2016					
Fixed rates					
Hire purchase and lease creditors	4.52 - 6.00	280,439	222,332	262,624	765,395
Floating rates					
Bankers' acceptances	2.28 - 4.58	13,284,596	0	0	13,284,596
Term loans	6.69	404,249	390,000	390,699	1,184,948
Bank overdrafts	6.91 - 8.35	1,539,185	0	0	1,539,185

19. TERM LOANS

Term loans together with the bankers' acceptances are secured as follows:

- Legal charges over long-term leasehold land and buildings of the Group;
- Fixed charges over certain plant and machinery of the Group;
- Pledge of short-term deposits of the Group; and
- Joint and several guarantees by certain Directors of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

*cont'd***20. HIRE PURCHASE AND LEASE CREDITORS**

	Group	
	2017 RM	2016 RM
Minimum hire purchase and lease payments:		
- not later than one (1) year	322,448	319,645
- later than one (1) year but not later than five (5) years	608,993	521,890
Total minimum hire purchase and lease payments	931,441	841,535
Less: Future interest charges	(95,573)	(76,140)
Present value of hire purchase and lease payments	835,868	765,395
Repayable as follows:		
Current liabilities		
- not later than one (1) year	285,929	280,439
Non-current liabilities		
- later than one (1) year but not later than five (5) years	549,939	484,956
	835,868	765,395
Fair value of hire purchase and lease payments	841,363	691,906

- (a) Hire purchase payables of the Group are secured by the financial institutions' charge over the assets under hire purchase. Certain hire purchase payables of the Group are also guaranteed by certain Directors of the Company.
- (b) Fair value of hire purchase payables as at the end of the reporting period are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year. Fair value was calculated using discounted cash flows model based on prevailing market interest rates.

21. BANK OVERDRAFTS

Bank overdrafts of the Group are secured as follows:

- (a) Legal charges over properties of a subsidiary and a related party;
- (b) Fixed charges over certain plant and machinery of a subsidiary;
- (c) Pledge of short term deposits of a subsidiary;
- (d) Joint and several guarantees by certain Directors of the Group; and
- (e) Fresh corporate guarantee by a related party.

22. TRADE PAYABLES

- (a) Trade payables are classified as other financial liabilities, and are measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one (1) month to three (3) months.

NOTES TO THE FINANCIAL STATEMENTS

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22. TRADE PAYABLES *cont'd*

(c) Currency exposure profile of trade payables are as follows:

	Group	
	2017	2016
	RM	RM
RM	3,732,000	3,037,337
USD	155,035	535,394
RMB	23,785	0
SGD	15,147	0
	<u>3,925,967</u>	<u>3,572,731</u>

(d) Sensitivity analysis of foreign currencies are not disclosed as they are not material to the Group.

23. OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other payables	1,555,244	1,134,095	1,140	0
Accrued expenses	1,126,130	991,698	11,693	12,000
GST payable	34,420	32,103	4,265	0
	<u>2,715,794</u>	<u>2,157,896</u>	<u>17,098</u>	<u>12,000</u>

(a) Other payables and accrued expenses are classified as other financial liabilities, and are measured at amortised cost using the effective interest method.

(b) Currency exposure profile of other payables and accrued expenses are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
RM	2,436,904	1,043,578	17,098	12,000
USD	120,564	872,180	0	0
RMB	117,733	104,526	0	0
HKD	39,884	19,517	0	0
TWD	709	0	0	0
EUR	0	118,095	0	0
	<u>2,715,794</u>	<u>2,157,896</u>	<u>17,098</u>	<u>12,000</u>

(c) Sensitivity analysis of foreign currencies are not disclosed as they are not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

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24. AMOUNT OWING TO A SUBSIDIARY

- (a) Amount owing to a subsidiary was classified as other financial liabilities, and was measured at amortised cost using the effective interest method.
- (b) Amount owing to a subsidiary mainly arose from non-trade transactions, which were unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (c) Amount owing to a subsidiary was denominated in RM.

25. AMOUNT OWING TO ULTIMATE HOLDING COMPANY

- (a) Amount owing to ultimate holding company was classified as other financial liabilities, and was measured at amortised cost using the effective interest method.
- (b) Amount owing to ultimate holding company arose from non-trade transactions, which were unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (c) Amount owing to ultimate holding company was denominated in RM.

26. AMOUNTS OWING TO RELATED COMPANIES

- (a) Amounts owing to related companies were classified as other financial liabilities, and are measured at amortised cost using the effective interest method.
- (b) Amounts owing to related companies arose from trade transactions, which were on normal credit terms.
- (c) Amounts owing to related companies were denominated in RM.

27. AMOUNTS OWING TO RELATED PARTIES

- (a) Amounts owing to related parties are classified as other financial liabilities, and are measured at amortised cost using the effective interest method.
- (b) Amounts owing to related parties arose from trade transactions, which are on normal credit terms.
- (c) Amounts owing to related parties are denominated in RM.

28. AMOUNTS OWING TO DIRECTORS

- (a) Amounts owing to Directors are classified as other financial liabilities, and are measured at amortised cost using the effective interest method.
- (b) Amounts owing to Directors mainly arose from unsecured advances, which are interest-free and payable upon demand in cash and cash equivalents.
- (c) Currency exposure profile of amounts owing to Directors are as follows:

	Group	
	2017	2016
	RM	RM
RM	117,275	111,901
RMB	80,440	0
	197,715	111,901

NOTES TO THE FINANCIAL STATEMENTS

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28. AMOUNTS OWING TO DIRECTORS *cont'd*

(d) Sensitivity analysis of foreign currencies are not disclosed as they are not material to the Group.

29. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Sale of rubber based tyre retreaded products and related charges	90,773,348	74,740,275	0	0
Dividend income from a subsidiary	0	0	4,904,863	0
Management fee	0	0	180,000	0
	<u>90,773,348</u>	<u>74,740,275</u>	<u>5,084,863</u>	<u>0</u>

(a) Sale of products

Revenue from sale of products is recognised when the significant risks and rewards of ownership of the products has been transferred to the customer and where the Group retains no continuing managerial involvement over the products, which coincides with the delivery of products and acceptance by customers.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

30. EMPLOYEE BENEFITS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Wages, salaries, allowances and bonuses	8,033,742	7,581,158	193,210	120,000
Contributions to defined contribution plans	486,921	439,053	21,702	13,520
Social security contributions	100,381	80,075	1,950	1,265
Other employee benefits	459,904	1,001,181	0	0
	<u>9,080,948</u>	<u>9,101,467</u>	<u>216,862</u>	<u>134,785</u>

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31. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit/(Loss) before tax is arrived at after charging:				
Auditors' remuneration				
- statutory audit	109,998	103,191	11,500	12,000
- other services	388,000	43,500	373,000	1,000
Bad debts written off	3,514	68,138	0	0
Directors' remuneration paid and payable to:				
<i>Directors' fees</i>				
- Directors of the Company	375,000	135,000	240,000	0
- Directors of the subsidiaries	15,000	55,000	0	0
<i>Other emoluments</i>				
- Directors of the Company	868,976	916,313	0	0
- Directors of the subsidiaries	36,960	106,380	0	0
Interest on:				
- short-term bank borrowings	644,169	348,177	0	0
- hire purchase and lease creditors	34,495	36,085	0	0
- long-term loans	174,719	128,320	0	0
Loss on disposal of property, plant and equipment	9,746	0	0	0
Loss on foreign exchange	662,948	667,613	0	0
Rental of:				
- hostel	40,137	44,250	0	0
- premises	643,407	396,818	0	0
And crediting:				
Finance income	157,378	157,490	0	0
Gain on disposal of property, plant and equipment	0	13,999	0	0
Gain on foreign exchange	645,625	2,966,465	0	0

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM57,156 (2016: RM53,306).

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*cont'd***32. TAX EXPENSE**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense based on profit for the financial year	1,500,490	2,317,930	42,100	0
Overprovision in prior years	(291,300)	(328,086)	0	0
	1,209,190	1,989,844	42,100	0
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	(819,373)	(117,403)	0	0
Underprovision in prior years	376,210	400,900	0	0
	(443,163)	283,497	0	0
Tax expense from continuing operations	766,027	2,273,341	42,100	0

- (a) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2016: 24%) of the estimated taxable profits for the fiscal year. Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (b) Numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax	1,196,549	10,541,226	2,393,338	(228,682)
Tax at statutory tax rate of 24% (2016: 24%)	287,172	2,529,894	574,401	(54,884)
Tax effects in respect of:				
Non-allowable expenses	962,320	120,084	701,990	19,416
Non-taxable income	(545,129)	(166,315)	(1,234,291)	0
Utilisation of previously unrecognised tax losses	0	(5,374)	0	0
Utilisation of reinvestment allowance	(373,576)	(444,966)	0	0
Different tax rates in foreign jurisdiction	(87,705)	(8,977)	0	0
Deferred tax assets not recognised	438,035	176,181	0	35,468
	681,117	2,200,527	42,100	0
Overprovision of current tax expense in prior years	(291,300)	(328,086)	0	0
Underprovision of deferred tax in prior years	376,210	400,900	0	0
Income tax expense	766,027	2,273,341	42,100	0

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

*cont'd***33. DISCONTINUED OPERATIONS**

On 2 May 2016, Olympic Retreads (M) Sdn. Bhd. disposed its entire equity interest in Olimpik Jaya (M) Sdn. Bhd. for a total cash consideration of RM145,389.

Effects of disposal of Olimpik Jaya (M) Sdn. Bhd. were determined as follows:

	Group 2016 RM
Cash consideration received	145,389
Cash disposed of	(238,164)
Net cash outflow on disposal of discontinued operations	<u>(92,775)</u>
Net assets disposed (other than cash):	
Trade and other receivables	(565,046)
Amount owing by ultimate holding company	(6,491)
Current tax assets	(3,925)
Trade and other payables	610,031
Amount owing to Directors	24,900
Amount owing to related companies	22,293
	<u>81,762</u>
Pre-tax loss on disposal of discontinued operations	(11,013)
Tax expense	0
Loss on disposal of discontinued operations	<u>(11,013)</u>
Result of discontinued operations	
Revenue	745,560
Expenses	(1,000,519)
Tax expense	0
Loss for the financial year	<u>(254,959)</u>
Loss per share from discontinued operations (sen)	
Basic and diluted per share	<u>0.22</u>

Statements of cash flows

The statements of cash flows includes the following amounts relating to discontinued operations:

	Group 2016 RM
Operating activities	112,280
Investing activities	0
Financing activities	0
Net cash from discontinued operations	<u>112,280</u>

NOTES TO THE FINANCIAL STATEMENTS

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34. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017	2016
	RM	RM
Profit from continuing operations attributable to owners of the parent	430,522	8,267,885
Loss from discontinued operations attributable to owners of the parent	0	(254,959)
Profit attributable to owners of the parent	430,522	8,012,926
Weighted average number of ordinary shares in issue (units)	226,391,056	116,447,944
Basic earnings per ordinary share for (sen):		
Profit from continuing operations	0.19	7.10
Loss from discontinued operations	0	(0.22)
Profit for the financial year	0.19	6.88

(b) Diluted

The diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

35. DIVIDEND

	Group and Company	
	2017	
	Dividend per share sen	Amount of dividend RM
Single tier interim dividend	1.8	4,330,688

On 28 January 2016, Eversafe Rubber Works Sdn. Bhd. made payment for second single tier interim tax exempt dividend in respect of financial year ended 31 December 2015 amounted to RM492,187.

36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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36. RELATED PARTY DISCLOSURES *cont'd*

(a) Identities of related parties (continued)

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 7 to the financial statements; and
 - (ii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes Executive Directors of the Company.
- (b) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year:

	Group	
	2017	2016
	RM	RM
With ultimate holding company:		
Tai Hin & Son (PG) Sdn. Bhd.		
- Management fee paid	0	100,000
- Rental paid	0	120,000
With related companies:		
Tayarmart (M) Sdn. Bhd.		
- Sale of trading goods	0	1,696,949
- Purchase of trading goods	0	110,879
- Motor vehicle services and maintenance	0	19,224
Tayarmart (Raja Uda) Sdn. Bhd.		
- Sale of trading goods	0	258,052
- Purchase of trading goods	0	13,433
Tayarmart (T. Bagan) Sdn. Bhd.		
- Purchase of trading goods	0	7,192
Olimpik Jaya (M) Sdn. Bhd.		
- Sale of trading goods	0	439,238
With related parties:		
Tai Hin & Son (PG) Sdn. Bhd.		
- Rental paid	144,000	0
Tayarmart (M) Sdn. Bhd.		
- Sale of trading goods	1,545,027	0
- Purchase of raw materials	107,954	0
- Motor vehicle services and maintenance	13,540	0
Tayarmart (Raja Uda) Sdn. Bhd.		
- Sale of trading goods	246,037	0
- Purchase of raw materials	22,682	0

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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36. RELATED PARTY DISCLOSURES *cont'd*

- (b) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year (continued):

	Group	
	2017	2016
	RM	RM
With related parties (continued):		
Tayarmart (T. Bagan) Sdn. Bhd.		
- Sale of trading goods	80	0
- Purchase of raw materials	9,098	0
	<u>9,098</u>	<u>0</u>

- (c) Compensation of key management personnel

The remuneration of Executive Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Fees	185,000	95,000	90,000	0
Short term employee benefits	1,320,309	1,271,782	102,232	60,000
Contributions to defined contribution plans	119,411	84,462	9,738	5,720
	<u>1,624,720</u>	<u>1,451,244</u>	<u>201,970</u>	<u>65,720</u>

37. COMMITMENTS

- (a) Lease commitments

Lease commitments of the Group as a lessee in respect of rental of premises are as follows:

	Group	
	2017	2016
	RM	RM
Not later than one (1) year	271,303	372,449
Later than one (1) year and not later than five (5) years	16,575	148,467
	<u>287,878</u>	<u>520,916</u>

- (b) Capital commitments

	Group	
	2017	2016
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	4,936,322	0
	<u>4,936,322</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

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38. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The overall strategy of the Group remains unchanged from the previous financial year.

Capital structure of the Group is represented by the equity of the Group.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital utilisation on the basis of net debt-to-equity ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital represents equity attributable to the owners of the parent. The net debt-to-equity ratios as at 31 December 2017 and 31 December 2016 are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Borrowings	21,718,591	16,774,124	0	0
Less: Cash and bank balances	(20,115,662)	(10,712,326)	(10,447,468)	(2)
Net debt/(Net cash)	1,602,929	6,061,798	(10,447,468)	(2)
Total capital	68,400,262	55,555,438	62,686,630	47,908,080
Net debt-to-equity ratio	0.02	0.11	*	*

* No net debt-to-equity ratio is presented as the Company is in net cash position.

The Group is subject to the following externally imposed capital requirements:

- (i) Gearing ratio of not more than 1.5 and 2.0 times by two (2) different financial institutions;
- (ii) Current ratio of not less than 1.1 times;
- (iii) Trade advances to related companies should not exceed 10% of revenue or net trade advances to related companies shall not exceed 6% of revenue; and
- (iv) The borrower shall not declare any dividends in excess of 50% of its current financial year's profit after tax provided always any such permissible declaration of dividends may only be made if debt servicing is current.

Pursuant to the requirements of Guidance Note No. 3/2006 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital. The Group has complied with this requirement for the financial year ended 31 December 2017.

The Group has complied with these externally imposed capital requirements as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the year.

On 1 January 2017, the Group and the Company adopted the following Amendments to the Standards that are mandatory for annual financial periods beginning on or after 1 January 2017.

Title	Effective Date
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

Adoption of the above Amendments to the Standards did not have any material effect on the financial performance or position of the Group and of the Company.

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-Term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015- 2017 Cycle</i>	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs *cont'd*

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company (continued):

Title	Effective Date
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, other than MFRS 15 and MFRS 9, since the effects would only be observable for the future financial years. The Group is currently finalising the adjustments upon adoption of MFRS 15 and MFRS 9.

ANALYSIS OF SHAREHOLDERS

As at 15 March 2018

SHARE CAPITAL

Total number of issued shares	:	240,593,796
Issued share capital	:	RM65,428,449
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote for each ordinary share held on a poll
No. of shareholders	:	1,335 shareholders

DISTRIBUTION OF SHAREHOLDINGS AS AT 15 MARCH 2018

(as per the Record of Depositors)

Size of Holdings	No. of holders	% of holders	No. of shares held	% of issued shares
1 – 99	4	0.30	100	*-
100 – 1,000	95	7.12	56,400	0.02
1,001 – 10,000	553	41.42	3,407,100	1.42
10,001 – 100,000	540	40.45	20,313,200	8.44
100,000 to less than 5% of issued shares	140	10.49	67,827,862	28.19
5% and above issued shares	3	0.22	148,989,134	61.93
Total	1,335	100.00	240,593,796	100.00

Note:

* Negligible

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2018

(as per Register of Substantial Shareholders)

Name of substantial shareholder	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Tai Hin & Son (PG) Sdn Bhd	116,893,546	48.59	-	-
Dato' Seri Cheah Eu Kiat	15,388,238	6.40	⁽¹⁾ 116,893,546	48.59
Eu Ah Seng	16,707,350	6.94	-	-

Note:

(1) Deemed interested by virtue of his interest in Tai Hin & Son (PG) Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDERS

As at 15 March 2018

cont'd

SHAREHOLDINGS OF DIRECTORS AS AT 15 MARCH 2018

(as per Register of Directors' Shareholdings)

Name of Directors	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Tan Sri Dato' Dr. Sak Cheng Lum	-	-	-	-
Dato' Seri Cheah Eu Kiat	15,388,238	6.40	⁽¹⁾ 116,893,546	48.59
Eu Ah Seng	16,707,350	6.94	-	-
Cheah Siang Tee	700,000	0.29	-	-
Cheah Eu Lee	1,000,000	0.42	-	-
Haji Mohd Isa bin Haji Talib	-	-	-	-
Ng Meng Kwai	-	-	-	-
Ong Beow Chieh	-	-	-	-

Note:

(1) Deemed interested by virtue of his interest in Tai Hin & Son (PG) Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS

(as per the Record of Depositors as at 15 March 2018)

No.	Name of Shareholder	No. of shares	% of shares
1.	Tai Hin & Son (PG) Sdn Bhd	116,893,546	48.59
2.	Eu Ah Seng	16,707,350	6.94
3.	Cheah Eu Kiat	15,388,238	6.40
4.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Sang Ah Weng (E-MLB)</i>	7,479,075	3.11
5.	Teo Kwee Hock	3,933,000	1.63
6.	Goh Kim Han	2,160,400	0.90
7.	Ooi Lay See	2,000,000	0.83
8.	UOBM Nominees (Tempatan) Sdn Bhd <i>Exempt An for Areca Capital Sdn Bhd</i>	2,000,000	0.83
9.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Chung Keen Mean</i>	1,650,000	0.68
10.	Chuah Meng Hing	1,604,906	0.67
11.	Chuah Hann Yan	1,438,228	0.60
12.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Teo Siew Lai</i>	1,307,400	0.54
13.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Tang Way Keong (E-TMI)</i>	1,111,000	0.46
14.	Cartaban Nominees (Tempatan) Sdn Bhd <i>Exempt An for LGT Bank AG (Local)</i>	1,000,000	0.42
15.	Cheah Eu Lee	1,000,000	0.42
16.	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Ong King Seng</i>	1,000,000	0.42

ANALYSIS OF SHAREHOLDERS

As at 15 March 2018

cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS *cont'd* (as per the Record of Depositors as at 15 March 2018)

No.	Name of Shareholder	No. of shares	% of shares
17.	LNH Holdings Sdn Bhd	1,000,000	0.42
18.	Pichet Nithivasin	1,000,000	0.42
19.	Saw Khai Phin Holdings Sdn Bhd	1,000,000	0.42
20.	Tan Huen Man	986,211	0.41
21.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Yeo Show Kau (E-TMI)</i>	980,500	0.41
22.	Saw Khai Phin	950,000	0.39
23.	Tai Chang Eng @ Teh Chang Ying	950,000	0.39
24.	Lee Chu Siong	945,864	0.39
25.	Mercsec Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Chew Beow Soon</i>	859,900	0.35
26.	Cheah Siang Tee	700,000	0.29
27.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Chia Mee Thih</i>	700,000	0.29
28.	Phoenix International Investment Ltd	654,000	0.27
29.	Aishah Chuah Binti Abdullah	648,454	0.27
30.	Chuah Chin Liang	648,424	0.27
	Total	188,696,496	78.43

PROPERTIES HELD BY THE GROUP

Location/ Postal address	Registered/ beneficial owner	Description/ existing use	Tenure	Land/ Built-up area	Year of acquisition/ revaluation	Net book value (RM)
Lot 69531, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan <i>(also referred to as Lot 82, Tasek Industrial Estate, Ipoh)</i>	Eversafe Rubber Works Sdn Bhd	A detached single-storey factory building/ manufacturing facility	99-year leasehold, expiring on 31 October 2075	43,751 sq. ft./ 40,146 sq. ft.	1989/-	946,830
Lot 70070, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan <i>(also referred to as Lot 90, Tasek Industrial Estate, Ipoh)</i>	Eversafe Rubber Works Sdn Bhd	Two (2) detached single-storey factory buildings/ Manufacturing facility and warehouse	99-year leasehold, expiring on 1 September 2075	102,511 sq. ft./ 38,508 sq. ft.	2012/-	7,579,327
Lot 70074, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan <i>(also referred to as Lot 93, Tasek Industrial Estate, Ipoh)</i>	Eversafe Trading Sdn Bhd	A detached double-storey factory building with a single-storey warehouse and laboratory/ Manufacturing facility and warehouse	99-year leasehold, expiring on 30 June 2076	41,790 sq. ft./ 33,782 sq. ft.	1980/-	1,921,516
Lot 76187, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan <i>(also referred to as Lot 94, Tasek Industrial Estate, Ipoh)</i>	Eversafe Rubber Works Sdn Bhd	A detached single-storey warehouse with an annexed double-storey office lot and warehouse	99-year leasehold, expiring on 17 March 2079	41,968 sq. ft./ 23,513 sq. ft.	2000/-	1,384,710

NOTICE OF 3RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at **Gopeng Hall, Kinta Riverfront Hotel & Suites, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on Friday, 18 May 2018 at 11.00 a.m.** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.
[Please refer to Explanatory Note (a)]
2. To re-elect the following Directors retiring in accordance with Clause 127 of the Company's Constitution and being eligible, have offered themselves for re-election:-
 - i) Tan Sri Dato' Dr. Sak Cheng Lum **(Ordinary Resolution 1)**
 - ii) Dato' Seri Cheah Eu Kiat **(Ordinary Resolution 2)**
 - iii) Cheah Eu Lee **(Ordinary Resolution 3)**
3. To approve the payment of Directors' fees of RM240,000.00 for the financial year ended 31 December 2017. **(Ordinary Resolution 4)**
4. To approve the payment of Directors' benefits of up to RM1,500,000.00 for the financial period from 1 July 2018 to 30 June 2019. **(Ordinary Resolution 5)**
[Please refer to Explanatory Note (b)]
5. To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

6. **Authority to Allot and Issue Shares Pursuant to Section 75 and Section 76 of the Companies Act 2016** **(Ordinary Resolution 7)**

"**THAT** pursuant to Section 75 and Section 76 of the Companies Act 2016 and subject to approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the total number of issued shares of the Company for the time being AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

[Please refer to Explanatory Note (c)]

NOTICE OF 3RD ANNUAL GENERAL MEETING

cont'd

7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Ordinary Resolution 8)

"**THAT**, approval be and is hereby given for the Proposed Shareholders' Mandate for the Company and/or its subsidiaries to enter into the categories of recurrent related party transactions of a revenue or trading nature falling within the nature of transactions as set out in Section 2.2 of the Circular to Shareholders dated 19 April 2018 ("the Circular"), with the related parties falling within the classes of persons as set out in Section 2.2 of the Circular, such transactions being necessary for the Company and/or its subsidiaries' day-to-day operations and which are carried out in the ordinary course of business, on terms which are not more favorable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution."

[Please refer to Explanatory Note (d)]

- 8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

BY ORDER OF THE BOARD

Wong Wai Foong (MAICSA No. 7001358)
Lim Hooi Mooi (MAICSA No. 0799764)
Ong Wai Leng (MAICSA No.7065544)
 Company Secretaries

Dated this 19th day of April, 2018
 Kuala Lumpur

NOTICE OF 3RD ANNUAL GENERAL MEETING

cont'd

NOTES:-

1. Pursuant to 334 of the Companies Act 2016, a member of a company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at a meeting of members of the company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. A Member of the Company, including an Authorised Nominee or an Exempt Authorised Nominee, who is entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, may appoint one or more proxies to attend and vote instead of the member at the meeting.
4. Where a member appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing (in common or usual form) under the hand of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorized.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend the 3rd Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors ("ROD") as at 11 May 2018. Only a depositor whose name appears on the ROD therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his/her stead.

Explanatory Notes:

a. Agenda No. 1

This item is meant for discussion only. The provisions of Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

b. Ordinary Resolution No. 5

This resolution is to facilitate payment of Directors' benefits for the period from 1 July 2018 until the conclusion of the Company's next Annual General Meeting in 2019. In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size etc.), approval will be sought at the next Annual General Meeting for the additional amount to meet the shortfall.

c. Ordinary Resolution No. 7

The proposed Resolution No. 7 seeking a general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. Should the mandate be exercised, the Directors will utilize the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit.

NOTICE OF 3RD ANNUAL GENERAL MEETING

cont'd

d. Ordinary Resolution No. 8

The proposed Resolution No. 8 is to seek of Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to enable the Company to comply with Paragraph 10.09, Part E of the Listing Requirement for the ACE Market of Bursa Malaysia Securities Berhad. The mandate will take effect from the date of the passing of the Ordinary Resolution until the next Annual General Meeting of the Company. For further information, please refer to the Circular to Shareholders dated 19 April 2018 accompanying the Company's Annual Report for the financial year ended 31 December 2017.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. There is no person seeking election as director of the Company at this Annual General Meeting.
2. **General Mandate for Issue of Securities**

Kindly refer to the Explanatory Notes on Special Businesses - Authority to Allot and Issue Shares Pursuant to Section 75 and Section 76 of the Companies Act 2016 under Explanatory Note (c) to the Notice of the Third Annual General Meeting.

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Form of Proxy

EVERSAFE RUBBER BERHAD (1133877-V)
(Incorporated in Malaysia)

CDS Account No.	No. of Shares Held

I/We _____ (Name of Shareholder as per NRIC, in capital letters)

NRIC No./Company No. _____ (New) _____ (Old)

of _____

being a Member(s) of EVERS SAFE RUBBER BERHAD, hereby appoint _____

_____ (Name of proxy as per NRIC, in capital letters)

NRIC No. _____ (New) _____ (Old)

or failing him/her _____ (Name of proxy as per

NRIC, in capital letters) NRIC No. _____ (New) _____ (Old)

or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Gopeng Hall, Kinta Riverfront Hotel & Suites, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on Friday, 18 May 2018 at 11.00 a.m. and any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X".

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1 – Re-election of Tan Sri Dato' Dr. Sak Cheng Lum as Director		
Ordinary Resolution 2 – Re-election of Dato' Seri Cheah Eu Kiat as Director		
Ordinary Resolution 3 – Re-election of Cheah Eu Lee as Director		
Ordinary Resolution 4 – Approval of Directors' fees for the financial year ended 31 December 2017		
Ordinary Resolution 5 – Approval of Directors' benefits of for the financial period from 1 July 2018 to 30 June 2019		
Ordinary Resolution 6 – Re-appointment of Messrs BDO as Auditors		
Ordinary Resolution 7 – Authority to Allot and Issue Shares Pursuant to Section 75 and Section 76 of the Companies Act 2016		
Ordinary Resolution 8 – Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Dated this _____ day of _____ 2018.

Signature/ Common Seal of Shareholder(s)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1	_____	_____ %
Proxy 2	_____	_____ %
Total		100%

NOTES:-

- Pursuant to 334 of the Companies Act 2016, a member of a company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at a meeting of members of the company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.
- A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- A Member of the Company, including an Authorised Nominee or an Exempt Authorised Nominee, who is entitled to attend and vote at meeting of the Company, or at a meeting of any class of members of the Company, may appoint one or more proxies to attend and vote instead of the member at the meeting.
- Where a member appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing (in common or usual form) under the hand of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorized.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend the 3rd Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd to issue a General Meeting Record of Depositors ("ROD") as at 11 May 2018. Only a depositor whose name appears on the ROD therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his/her stead.

Fold this flap for sealing

Then fold here

AFFIX
STAMP
HERE

EVERSAFE RUBBER BERHAD (1133877-V)

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur

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