永安橡胶
EVERSAFE RUBBER BERHAD
(1133877-V)

annual 2018 annual

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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

Chong Lay Kim *(LS 0008373)*
Yeng Shi Mei *(MAICSA 7059759)*

REGISTERED OFFICE

41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh, Perak
Malaysia
Tel : +605 548 0888
Fax : +605 545 9222

HEAD OFFICE

Lot 94, Lebuh Portland
Tasek Industrial Estate
31400 Ipoh
Perak Darul Ridzuan, Malaysia
Tel : +605 291 0599
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 PLT
(LLP0018825-LCA8AF0206)
Level 8, Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur, Malaysia
Tel : +603 2616 2888
Fax : +603 2616 3190/3191

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
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel : +603 2783 9299
Fax : +603 2783 9222

Tricor Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
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 RubberWorks 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

GROUP FINANCIAL HIGHLIGHTS

	Financial year ended			
Group	**31 December 2018 RM'000**	**31 December 2017 RM'000**	**31 December 2016 RM'000**	**31 December 2015 RM'000**
Revenue	**112,263**	90,773	74,740	74,779
Gross profit ("**GP**")	**15,834**	16,609	19,156	17,749
Profit before taxation ("**PBT**")	**1,344**	1,197	10,541	8,116
Profit after tax ("**PAT**")/Profit attributable to the owners of Company	**847**	431	8,013	5,802
Earnings before interests, taxes, depreciation and amortisation	**6,601**	5,943	14,520	12,225
Total equity attributable to owners of the Company	**60,311**	68,400	55,555	48,137
Earnings per share[(1)] (sen)	**0.4**	0.2	3.3	2.4
Dividends per share[(1)] (sen)	**1.8**	1.8	-	0.5
Net assets ("**NA**") per share[(1)] (sen)	**25.1**	28.4	23.1	20.0
GP margin[(2)] (%)	**14.1**	18.3	25.6	23.7
Net profit margin[(3)] (%)	**0.8**	0.5	10.7	7.8
Return on equity attributable to owners of Company[(4)] (%)	**1.6**	0.6	14.4	12.1
Return on total assets[(5)] (%)	**0.9**	0.4	9.6	7.7

Notes:

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

(2) Computed based on GP over revenue.

(3) Computed based on PAT over revenue.

(4) Computed based on PAT over total equity attributable to owners of the Company.

(5) Computed based on PAT over total assets of the Group.

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 75, 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 National 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 69, 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 77, 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 43, 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, Jiaxing YongAn Rubber Co Ltd ("**Jiaxing**") 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 61, 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 67, Malaysian, Male

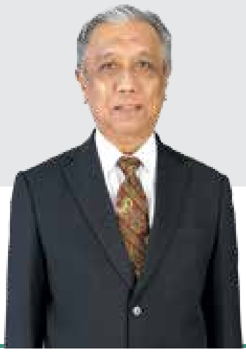
Mr. Ng Meng Kwai was appointed as an Independent Non-Executive Director of Eversafe Rubber on 30 May 2016. He is also the Chairman of the Audit Committee and a member of the Nominating Committee.

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 76, 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 47, Malaysian, Male

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 2018.*
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 6 of the Annual Report for the profile of Dato' Seri Cheah.

EU AH SENG
(Executive Director)

Please refer to page 7 of the Annual Report for the profile of Mr. Eu Ah Seng.

CHEAH SIANG TEE
(Chief Executive Officer/Executive Director)

Please refer to page 7 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 69, 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.

KOID LAY PENG
(Group Finance Manager)

Ms. Koid Lay Peng, Malaysian, female, aged 53, 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.

PROFILE OF KEY SENIOR MANAGEMENT
cont'd

LEE CHEE KONG
(General Manager – Sales & Marketing)

Mr. Lee Chee Kong, Malaysian, male, aged 55, is our Marketing Manager. He is in charge of our sales and 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 as the Marketing Manager and was subsequently promoted to his present position in 2018.

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 42, 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 56, 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 2018.*
2. *None of the key senior management have any conflicts of interest with the Company.*
3. *Save as disclosed on page 9 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.*

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 with the Annual Report and audited financial statements for the financial year ended ("**FYE**") 31 December 2018.

HIGHLIGHTS

The FYE 31 December 2018 marks the first full financial year of which Eversafe Rubber has been listed on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). Since the successful Listing of Eversafe Rubber on 21 April 2017 ("**Listing**"), Eversafe Rubber and its subsidiaries ("**Group**") have successfully achieve the following:

(i) penetrated into additional countries in the European region as well as Southeast Asia;

(ii) developed and launched a new range of Off-The-Road (OTR) treads for our tyre retreading products; and

(iii) in the midst of upgrading our manufacturing facilities to increase our production capacity and capabilities in view of the introduction of our OTR tyre retreading product range.

In addition to the above developments, Eversafe Trading Sdn Bhd, our wholly-owned subsidiary, has since 3 July 2017, been appointed by Carl Zeiss Optotechnik GmbH ("**ZEISS**"), a German company, 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, the penetration into Uruguay, Tunisia and the Philippines represents an expansion of our Group's downstream activities and bodes well with our Group's efforts in improving our sales and distribution capabilities.

PERFORMANCE REVIEW

Our Group increased revenues by RM21.5 million or 23.7%, from RM90.8 million for the FYE 31 December 2017 to RM112.3 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. The said increase in sales was attributable to the increase in the quantity sold.

Notwithstanding the above, our Group's PBT increased marginally by RM0.1 million or 8.3% from RM1.2 million for the previous financial year to RM1.3 million for the FYE 31 December 2018. The slight improvement in operational profitability for the financial year under review can mainly be attributed to the gain on disposal of plant and equipment of RM0.3 million.

CHAIRMAN'S STATEMENT
cont'd

PROSPECTS

The Board and the management of our Group are of the opinion that the prospects of our Group for the financial year ending 31 December 2019 will remain satisfactory.

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 customers from more than 25 countries for our products and we intend to continue to grow our geographical footprint in order to develop our brand name. 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 July 2018, we set up distribution office with a storage facility in Bulgaria. 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. We are in the midst of completing the upgrading of our manufacturing facilities with automation and power assistance which will allow our Group to utilise our labour force more efficiently and maximise our production capacity and capabilities. From the proceeds raised from our initial public offering, we have utilised approximately RM12.9 million as at 31 December 2018 for the enhancements of our manufacturing processes which are expected to benefit our Group's financial performance in the financial year ending 31 December 2019.

DIVIDENDS

Our Company declared dividends of RM4.3 million, equivalent to a dividend of 1.8 sen per Share. The said dividend was announced on 24 August 2018 and paid on 4 October 2018 to shareholders registered in the Company's register as at 14 September 2018.

ACKNOWLEDGEMENTS

I would like to convey my sincere gratitude to the Board of Directors and management of Eversafe Rubber who have worked tirelessly during the financial year under review. 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 and was converted into a public limited company on 24 June 2016 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.

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.

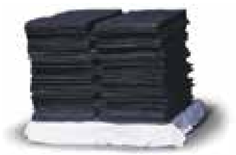
Development, manufacturing and distribution of tyre retreading materials

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; Jiaxing, the People's Republic of China; and Hong Kong. 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 25 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.

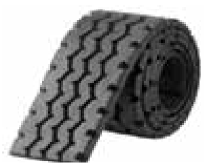
The tyre retreading materials manufactured by our Group are as follows:

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.

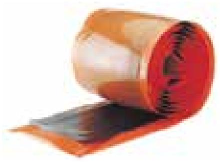
2. Pre-cured tread liners



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.

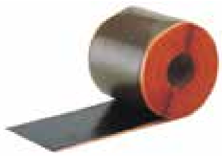
MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

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 as well as in Hong Kong. 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 the local market where our retreaded tyres are produced in, targeted to be used for commercial vehicles such as buses and transportation trucks.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

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 25 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 an established presence in Europe where presently our products are being sold to distributors in the United Kingdom, Turkey, Italy and Bulgaria. During the financial year under review, our Group has penetrated into Uruguay, Tunisia and the Philippines. 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

Our Group is in the midst of completing the upgrading of our manufacturing facilities with automation and power assistance. These manufacturing facility comprise of pressing machine, automated buffing and packing lines, loading and unloading systems, robotic hands as well as conveyor systems. Our Group believes that the upgraded manufacturing facilities 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. From the proceeds raised from our initial public offering, we have utilised approximately RM12.9 million as at 31 December 2018 for the enhancements of our manufacturing processes which are expected to benefit our Group's financial performance in the financial year ending 31 December 2019.

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. During the financial year under review, our Group has successfully developed and launched a new range of OTR treads products 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 initiative 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
cont'd

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.

(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 2017 and 2018:

	FYE 31 December 2018 RM'000	FYE 31 December 2017 RM'000
Revenue	112,263	90,773
Gross profit ("**GP**")	15,834	16,609
Profit before taxation ("**PBT**")	1,344	1,197
Profit after taxation ("**PAT**")	847	431
Net assets ("**NA**")	60,311	68,400
Total assets	96,230	101,320
Borrowings	23,597	21,719
Gearing (times)	0.4	0.3
Earnings per share(1) (sen)	0.4	0.2
Dividend per share(1) (RM)	1.8	1.8
NA per share(1) (sen)	25.1	28.4

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 RM112.3 million from RM90.8 million in the FYE 31 December 2017, representing an increase of RM21.5 million or 23.7%. The increase in our Group's revenue was mainly attributable to the increase in the sales of rubber compound. 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 East Asian market excluding Malaysia which had increased by RM17.8 million or 157.2%. Further analysis of our Group's revenue for the FYE 31 December 2017 and 2018 by geographical locations is illustrated below:

	FYE 31 December 2018 RM'000	**FYE 31 December 2017 RM'000**
Malaysia	38,257	36,552
South East (excluding Malaysia)	29,062	11,297
East Asia and Oceania	26,949	25,903
South Asia, middle East and Africa	9,396	7,034
North and South America	4,187	7,670
Europe	4,411	2,317
Overseas sub-total	74,006	54,221
Total	**112,263**	**90,773**

Notwithstanding the increase in revenue, our Group's GP decreased from RM16.6 million for the FYE 31 December 2017 to RM15.8 million for the FYE 31 December 2018, representing a decrease of RM0.8 million or 4.8%. The said decrease in GP was due to the overall increase in production costs. This had also resulted in a decrease in GP margin from 18.3% which was achieved in the FYE 31 December 2017 to 14.1% achieved in the financial year under review.

Notwithstanding the decrease in our Group's GP, our Group's PBT had increased marginally by RM0.1 million or 8.3% for the financial year under review from RM1.2 million for the previous financial year to RM1.3 million for the FYE 31 December 2018. The marginal increase in our Group's PBT was mainly attributable to the gain on disposal of plant and equipment of RM0.3 million during the financial year under review and the listing expenses of RM2.24 million in the preceding year partially offset by:

(i) an increase in general and administrative expenses by RM1.1 million or 14.7% from RM7.5 million in the FYE 31 December 2017 to RM8.8 million for the financial year under review; and

(ii) an increase in distribution costs from RM5.9 million to RM6.4 million in the FYE 31 December 2018, representing an increase of RM0.5 million or 8.5%.

As at 31 December 2018, our Group's total assets had decreased to RM96.2 million as compared to RM101.3 million as at 31 December 2017. Our Group's total assets had decreased due to the decrease in cash and bank balances and current trade receivables of RM7.0 million and RM5.9 million from RM20.1 million and RM27.9 million as at 31 December 2017 to RM13.1 million and RM22.0 million as at 31 December 2018 due to cash used for the upgrading of our Group's production facility and better collections respectively. In line with our Group's decrease in total assets, our Group's net assets had also decreased from RM68.4 million as at 31 December 2017 to RM60.3 million as at 31 December 2018.

The increase in our Group's borrowings, mainly due to the increase in bankers' acceptance used for our Group's operations, had increased from RM17.3 million as at 31 December 2017 to RM18.9 million as at 31 December 2018. Notwithstanding the increase in borrowings, the management is of the opinion that the based on the gearing of 0.4 times as at 31 December 2018, the debt levels of our Group remains manageable.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

A summary of our Group's cash flow position for the FYE 31 December 2017 and 2018 is illustrated below:

	FYE 31 December 2018 RM'000	FYE 31 December 2017 RM'000
Net cash generated from/(used in) operating activities	6,219	(2,552)
Net cash used in investing activities	(8,959)	(4,466)
Net cash (used in)/generated from financing activities	(4,969)	17,955
Net (decrease)/increase in cash and cash equivalents	(7,709)	10,938
Cash and cash equivalent at the beginning of the year	13,617	2,710
Cash and cash equivalent at the end of the year	5,902	13,617

During the financial year under review, our Group was in a positive net cash position for its operating activities of RM6.2 million as compared to a RM2.6 million negative net cash used in operating activities in the FYE 31 December 2017. This was mainly due to the lower increase in trade and other receivables as well as the decrease in inventories during the financial year under review as compared to the increase in inventories in the FYE 31 December 2017. The increase in our Group's net cash used in investing activities for the financial year under review was due to the purchase of property, plant and equipment. Our Group's net cash used in financing activities of RM5.0 million for the FYE 31 December 2018 was mainly attributable to the dividend paid of RM4.3 million. Resulting therefrom, our Group's net decrease in cash and cash equivalents for the financial year under review was RM7.7 million. Our Board of Directors or 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.

The said net current asset position of our Group for the FYE 31 December 2017 and 2018 is illustrated below:

	FYE 31 December 2018 RM'000	FYE 31 December 2017 RM'000
Current Assets		
Inventories	16,133	13,739
Trade receivables	21,975	27,885
Other receivables, deposits and prepayments	2,888	3,803
Amounts owing by related parties	800	733
Current tax assets	517	111
Cash and bank balances	13,120	20,116
Total current assets	**55,432**	**66,387**
Current Liabilities		
Trade payables	5,244	3,926
Other payables and accrued expenses	2,833	2,716
Amounts owing to related parties	41	34
Amounts owing to Directors	253	198
Borrowings	22,493	20,010
Current tax liabilities	-	542
Total current liabilities	**30,864**	**27,426**
Net Current Assets	**24,568**	**38,961**

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Our Group's net current assets position for the FYE 31 December 2018 had decreased from RM39.0 million as at 31 December 2017 to RM24.6 million, representing a decrease of RM14.4 million or 36.9%. This decrease was due to the decrease in cash and bank balances and trade receivables as mentioned above as well as the increase in borrowings, namely bankers' acceptance used for our Group's operations, as at 31 December 2018. 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 2019.

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 Dollar and Japanese Yen, while other foreign currencies used for transactions include Australian Dollar, Euro, Hong Kong Dollar, Chinese Renminbi and Singapore Dollar. On the other hand, the import of our raw materials, namely synthetic rubber and carbon black which consists of 32.0% of total raw materials during the financial year under review, are transacted in United States Dollar.

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 10 and 28 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) Increasing labour costs, shortage of labour and dependency on foreign labour

As part of the Budget 2019, the minimum monthly wage, as at 1 January 2019, was increased to RM1,100 as compared to RM1,000 previously. It is also expected that the minimum monthly wage will further increase to RM1,500 by 2023. Premised on this, it is expected that our Group's labour cost will increase accordingly. However, due to the competitive pricing nature of our industry, we are unable to increase our prices accordingly and pass on such increase in labour cost to our customers in order to maintain our profit margins. In addition, our Group is currently experiencing shortage of labour for our production facility.

In order to reduce the negative impact arising from the above issues, our Group:

(i) will closely monitor our hiring process efficiently in order to reduce redundancy or avoid a scenario of over-hiring; and

(ii) is in the midst of upgrading our manufacturing facilities with automation and power assistance to reduce our reliance on the supply of labour.

Our Group's manufacturing operations are dependent on, amongst others, supply of foreign labour to fulfil our Group's labour requirement 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.

Our Group employs approximately 130 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 14 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 of the opinion that our Group's prospects and outlook for the upcoming financial year will be satisfactory.

DIVIDEND POLICY

Our Board intends to recommend and distribute dividends of between 40% and 60% of our Group's PAT 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 24 August 2018 and paid on 4 October 2018 to shareholders registered in the Company's register as at 14 September 2018.

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 2018 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 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 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 2019 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 cost of internal audit functions including fees paid to an independent professional firm for the financial year ended 31 December 2018 was RM90,500.

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 2018. Their review is performed in accordance with Audit and Assurance Practice Guide 3 Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

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 4 April 2019.

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 5 meetings were held during the financial year ended 31 December 2018. 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	5/5
Tan Sri Dato' Dr Sak Cheng Lum	5/5
Haji Mohd Isa bin Haji Talib	5/5

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 5 times during the financial year ended 31 December 2018 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 2018 made by the Company.

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 15 April 2019 on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature. Please refer to the said Circular to Shareholders dated 15 April 2019 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 2018, the Audit Committee reviewed the internal audit report which covered the sales and marketing, credit control and collection, procurement as well as human resource and payroll. 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 4 April 2019.

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 2018. 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	5
Audit Committee	5
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 Secretaries
Eversafe Rubber Berhad
41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak
Malaysia
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 paid to Executive and Non-Executive Directors by type of remuneration.

	Company	Subsidiaries					
	Fees	Fees	Salary	Bonus	Benefits-in-kind	Others	Total
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Executive Directors							
Dato' Seri Cheah Eu Kiat	30	40	204	27	28	42	371
Eu Ah Seng	30	15	168	14	17	40	284
Cheah Siang Tee	30	40	419	42	24	70	625
Non-Executive Directors							
Tan Sri Dato' Dr. Sak Cheng Lum	30	-	-	-	-	-	30
Cheah Eu Lee	30	40	-	10	-	1	81
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 MCCG 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 recognises 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 MCCG 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 5 Board meetings held during the financial year ended 31 December 2018, with details of Directors' attendance set out below:

Name of Director	Attendance
Tan Sri Dato' Dr. Sak Cheng Lum	5/5
Dato' Seri Cheah Eu Kiat	5/5
Eu Ah Seng	5/5
Cheah Siang Tee	5/5
Cheah Eu Lee	5/5
Haji Mohd Isa bin Haji Talib	5/5
Ng Meng Kwai	5/5
Ong Beow Chieh	5/5

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 2018 are as follows:

Name of Director	Conferences, Seminars and/or Training
Tan Sri Dato' Dr. Sak Cheng Lum	• Sustainability Engagement Series for Directors/Chief Executive Officers • Familiarisation of Production Process and Quality Control (Eversafe Rubber Berhad in-house training)
Dato' Seri Cheah Eu Kiat	Familiarisation of Production Process and Quality Control (Eversafe Rubber Berhad in-house training)
Eu Ah Seng	Familiarisation of Production Process and Quality Control (Eversafe Rubber Berhad in-house training)
Cheah Siang Tee	• Familiarisation of Production Process and Quality Control (Eversafe Rubber Berhad in-house training) • International Rubber Conference • MRB Technical Workshop 2018 • Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide
Cheah Eu Lee	Familiarisation of Production Process and Quality Control (Eversafe Rubber Berhad in-house training)
Ng Meng Kwai	• Insolvency Legislative Changes in Malaysia • Financial Instruments Updates – An analysis of MFRS9 (2014) Version • MFRS9 Expected Loss Model • Engagement Session with Public Practitioners: Strengthening the Profession Together (KL) • Transitional Issues from GST to SST – Your Questions on SST Answered • 2019 Budget Seminar • Familiarisation of Production Process and Quality Control (Eversafe Rubber Berhad in-house training)
Haji Mohd Isa bin Haji Talib	Familiarisation of Production Process and Quality Control (Eversafe Rubber Berhad in-house training)
Ong Beow Chieh	• Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide • Familiarisation of Production Process and Quality Control (Eversafe Rubber Berhad in-house training)

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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 26 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

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 4 April 2019.

CORPORATE SUSTAINABILITY STATEMENT

As part of the initiative to promote sustainability, Eversafe Rubber Berhad ("**Eversafe Rubber**" or our "**Company**") and its subsidiaries ("**Group**") are committed to creating long-term value for its stakeholders as well as preserve and improve the environment and society through our Group's operational processes.

Being cognisance of our Group's responsibility to be a responsible corporate citizen, our Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates. Our Group recognises that for long-term sustainability, we are required to take into account factors beyond the financial performance of our Group. Hence, our Group supports important causes such as donation to the needy, community services, promoting a healthy and safety culture within the organisation.

ENVIRONMENTAL ASPECTS

Our Group is accountable for the impact of its business operations on the environment. We constantly review and monitor our operations to make positive contribution to the environment, economic and social well-being of our stakeholders, employees and the broader community. As part of our Group's day-to-day operations, we ensure that emissions and waste from our production facilities are within the permitted thresholds. In addition, our Group is in the business of the production of retreaded tyres which is a form of recycling used tyres. Our Group's manufacturing processes also allows for excess material to be reused in the production of our Group's products. As such, it can be viewed that our Group's business reduces wastage and the disposal of rubber while promoting efficient use of raw materials.

HUMAN RESOURCE ASPECTS

Our Group conducts constant reviews of our workplace and policies in order to ensure a conducive working environment and ensure proper development and utilisation of our human resources. We continuously place high emphasis on health and safety issues at our production and manufacturing facilities. Necessary tools and protective gear are provided to our employees to ensure that they are adequately protected which reduces the risk of harm or injury. We also enforce stringent compliance requirements so that health and safety issues are not compromised. Personal development is important and employees are encouraged to improve their knowledge through attendance at relevant seminars and workshops conducted in-house by our Group.

SOCIAL ASPECTS

Our Group continues its social roles to support the community by contributing to several needy and charitable organisations through donations. Employees are encouraged and supported to actively participate in social work and community services.

MARKETPLACE ASPECTS

One of our Group's main goals is the enhancing of shareholders' value without compromising on integrity, good business ethics as well as the maintenance of a high level of corporate governance practices. We believe in conducting business fairly, impartially and in full compliance with all laws and regulations. We also believe that honesty and integrity underline all of our relationships, including those with customers, vendors, contractors, business community at large and among employees. Our Group has established an employees' Code of Conduct and a Whistleblowing Policy which acts as a guide for employees to conduct themselves and provides an avenue for matters, such as breaches, fraud or favouritism to be brought to the attention of our management in order to maintain our Group's level of integrity and business ethics.

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 successful 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 2018 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	(12,873) (2)	293	-	Within 24 months
Establish intellectual property rights and overseas branding initiative	1,500	(372)	-	1,128	Within 36 months
Estimated listing expenses	3,200	(2,907)	(293)	-	Immediate
Total	**17,280**	**(16,152)**	**-**	**1,128**	

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	29	109	4	9
Non-audit fees				
- Fees for other services	-	4	-	4
Total	29	113	4	13

The paid amounts above are in relation to the fees incurred during the FYE 31 December 2017 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 2018, 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 4 April 2019.

DIRECTORS' REPORT
AND AUDITED FINANCIAL STATEMENTS

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 2018.

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 and details 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	847,345	7,752,351

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 2018:	
Single tier interim dividend of 1.80 sen per ordinary share, paid on 4 October 2018	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 Note 15 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or 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 during the financial year and up to the date of this report are as follows:

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

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 2018 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 1.1.2018	**Bought**	**Sold**	**Balance as at 31.12.2018**
Shares in the Company				
Direct interests:				
Dato’ Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.	15,388,238	-	-	15,388,238
Eu Ah Seng	16,707,350	-	-	16,707,350
Cheah Eu Lee	1,000,000	-	-	1,000,000
Cheah Siang Tee	700,000	-	-	700,000
Indirect interests:				
Dato’ Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.	116,893,546	-	-	116,893,546[1]

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

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.

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' REPORT
cont'd

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 32 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 28 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group is RM6,000.

There were no indemnity given to or insurance effected for the 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 had 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.

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 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There was no significant event during the financial year.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There was no significant event subsequent to the end of the reporting period.

DIRECTORS' REPORT
cont'd

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2018 are disclosed in Note 27 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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
4 April 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 51 to 100 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 2018 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.	**Cheah Siang Tee**
Director	Director

Penang
4 April 2019

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 51 to 100 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 4 April 2019) **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 2018 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 51 to 100.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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. 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.

a) Impairment of trade receivables

Gross trade receivables of the Group as at 31 December 2018 were RM28,249,211 and the associated impairment losses of trade receivables was RM4,750,861 as disclosed in Note 9 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

Audit response

Our audit procedures included the following:

(i) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;

(ii) recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and

(iii) inquiries of management to assess the rationale underling the relationship between the forward-looking information and expected credit losses.

INDEPENDENT AUDITORS' REPORT

to the Members of Eversafe Rubber Berhad
cont'd

Key Audit Matters *cont'd*

b) Impairment of cost of investment in a subsidiary

As at 31 December 2018, investment in a subsidiary of the Company was RM54,328,447 as disclosed in Note 7 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiary in determining the recoverable amount. These key assumptions include budgeted operating profit margin, growth rates, terminal value as well as determining an appropriate pre-tax discount rate used for subsidiary.

Audit response

Our audit procedures included the following:

(i) challenged the assessment by management that no further impairment losses on investment was required based on recoverable amount of the subsidiary;

(ii) compared cash flow projections against recent performance and challenged the key assumptions in projections to available external industry sources of data, where applicable;

(iii) verified gross profit margin, growth rate and terminal value by assessing evidence available to support these assumptions;

(iv) assessed the reasonableness of pre-tax discount rate by comparing to the market data, weighted average cost of capital of the subsidiary and relevant risk factors; and

(v) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards, 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.

INDEPENDENT AUDITORS' REPORT

to the Members of Eversafe Rubber Berhad
cont'd

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 International Standards on Auditing 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 International Standards on Auditing, 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.

(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.

INDEPENDENT AUDITORS' REPORT
to the Members of Eversafe Rubber Berhad
cont'd

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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Law Kian Huat
02855/06/2020 J
Chartered Accountant

Kuala Lumpur
4 April 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	39,274,465	33,550,109	5,250	-
Intangible asset	6	1	21,700	-	-
Investment in a subsidiary	7	-	-	54,328,447	48,148,447
Trade receivables	9	1,523,574	1,361,273	-	-
Amount owing by a subsidiary	11	-	-	6,403,050	-
		40,798,040	34,933,082	60,736,747	48,148,447
Current assets					
Inventories	8	16,132,557	13,739,290	-	-
Trade receivables	9	21,974,776	27,885,287	-	-
Other receivables, deposits and prepayments	10	2,887,560	3,802,570	13,512	2,000
Amount owing by a subsidiary	11	-	-	-	4,111,913
Amounts owing by related parties	12	800,379	733,332	-	-
Current tax assets		516,616	110,895	-	-
Cash and bank balances	13	13,119,845	20,115,662	5,072,773	10,447,468
		55,431,733	66,387,036	5,086,285	14,561,381
TOTAL ASSETS		96,229,773	101,320,118	65,823,032	62,709,828
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	65,428,449	65,428,449	65,428,449	65,428,449
Reserves	15	(5,117,669)	2,971,813	358,019	(2,741,819)
TOTAL EQUITY		60,310,780	68,400,262	65,786,468	62,686,630

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018
cont'd

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	16	3,950,874	3,785,416	-	-
Borrowings	17	1,103,941	1,708,834	-	-
		5,054,815	5,494,250	-	-
Current liabilities					
Trade payables	21	5,244,072	3,925,967	-	-
Other payables and accrued expenses	22	2,832,662	2,715,794	32,666	17,098
Amounts owing to related parties	23	41,361	33,953	-	-
Amounts owing to Directors	24	253,309	197,715	-	-
Borrowings	17	22,492,774	20,009,757	-	-
Current tax liabilities		-	542,420	3,898	6,100
		30,864,178	27,425,606	36,564	23,198
TOTAL LIABILITIES		35,918,993	32,919,856	36,564	23,198
TOTAL EQUITY AND LIABILITIES		96,229,773	101,320,118	65,823,032	62,709,828

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 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	25	112,263,426	90,773,348	8,245,775	5,084,863
Cost of sales		(96,429,235)	(74,164,175)	-	-
Gross profit		15,834,191	16,609,173	8,245,775	5,084,863
Other operating income		1,502,157	1,077,847	299,590	250,674
Distribution costs		(6,383,143)	(5,865,240)	-	-
Administrative expenses		(7,585,385)	(6,331,135)	(753,153)	(556,730)
Listing expenses		-	(2,385,469)	-	(2,385,469)
Other operating expenses		(1,166,412)	(1,212,622)	-	-
Profit from operations		2,201,408	1,892,554	7,792,212	2,393,338
Finance income		112,337	157,378	-	-
Finance costs		(969,676)	(853,383)	-	-
Profit before tax	27	1,344,069	1,196,549	7,792,212	2,393,338
Tax expense	29	(496,724)	(766,027)	(39,861)	(42,100)
Profit for the financial year, attributable to owners of the parent		847,345	430,522	7,752,351	2,351,238
Other comprehensive income/(loss):					
Item that may be subsequently reclassified to profit or loss:					
Foreign currency translations, net of tax		140,721	(13,010)	-	-
Total comprehensive income attributable to owners of the parent		988,066	417,512	7,752,351	2,351,238
Earnings per ordinary share attributable to equity holders of the company (sen):					
- Basic and diluted	30	0.35	0.19		

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

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2018

		Non-distributable				Distributable	
Group	Note	Share capital RM	Capital reserve RM	Foreign currency translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	Total equity RM
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		-	-	-	-	430,522	430,522
Other comprehensive loss, net of tax		-	-	(13,010)	-	-	(13,010)
Total comprehensive income		-	-	(13,010)	-	430,522	417,512
Transactions with owners:							
Ordinary shares issued pursuant to Initial Public Offering	14	17,280,000	-	-	-	-	17,280,000
Share issue expenses		-	-	-	-	(522,000)	(522,000)
Dividend paid	31	-	-	-	-	(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	7,104	(1,252,168)	(36,914,958)	41,131,835	68,400,262
Balance as at 1 January 2018, as previously reported		65,428,449	7,104	(1,252,168)	(36,914,958)	41,131,835	68,400,262
Effects of adoption of:							
MFRS 9	36(a)	-	-	-	-	(3,822,719)	(3,822,719)
MFRS 15	36(a)	-	-	-	-	(924,141)	(924,141)
Balance as at 1 January 2018, as restated		65,428,449	7,104	(1,252,168)	(36,914,958)	36,384,975	63,653,402
Profit for the financial year		-	-	-	-	847,345	847,345
Other comprehensive income, net of tax		-	-	140,721	-	-	140,721
Total comprehensive income		-	-	140,721	-	847,345	988,066
Transaction with owners:							
Dividend paid	31	-	-	-	-	(4,330,688)	(4,330,688)
Total transactions with owners						(4,330,688)	(4,330,688)
Balance as at 31 December 2018		65,428,449	7,104	(1,111,447)	(36,914,958)	32,901,632	60,310,780

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

cont'd

Company	Note	← Non-distributable → Share capital RM	Accumulated losses RM	Total equity RM
Balance as at 1 January 2017		48,148,449	(240,369)	47,908,080
Profit for the financial year		-	2,351,238	2,351,238
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	2,351,238	2,351,238
Transactions with owners:				
Ordinary shares issued pursuant to Initial Public Offering	14	17,280,000	-	17,280,000
Share issue expenses		-	(522,000)	(522,000)
Dividend paid	31	-	(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
Balance as at 1 January 2018 as previously reported		65,428,449	(2,741,819)	62,686,630
Effect of adoption of MFRS 9	36(a)	-	(321,825)	(321,825)
Balance as at 1 January 2018, as restated		65,428,449	(3,063,644)	62,364,805
Profit for the financial year		-	7,752,351	7,752,351
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	7,752,351	7,752,351
Transaction with owners:				
Dividend paid	31	-	(4,330,688)	(4,330,688)
Total transaction with owners		-	4,330,668	4,330,688
Balance as at 31 December 2018		65,428,449	358,019	65,786.468

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

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		1,344,069	1,196,549	7,792,212	2,393,338
Adjustments for:					
Amortisation of intangible asset	6	28,699	21,700	-	-
Bad debts written off		247	3,514	-	-
Depreciation of property, plant and equipment	5	4,369,844	4,027,790	1,050	-
Dividend income		-	-	(8,065,775)	(4,904,863)
Finance costs		969,676	853,383	-	-
Finance income		(112,337)	(157,378)	-	-
Property, plant and equipment written off	5	3,969	-	-	-
(Gain)/loss on disposal of property, plant and equipment		(351,817)	9,746	-	-
Impairment losses on other receivables	10	6,013	-	-	-
Impairment losses on trade receivables	9	737,236	539,928	-	-
Impairment losses on amounts owing by related parties	12	66,287	-	-	-
Inventories written down	8	54,445	-	-	-
Inventories written back	8	-	(44,233)	-	-
Reversal of impairment loss on trade receivables	9	(232,796)	(7,566)	-	-
Reversal of impairment losses on amount owing by a subsidiary	11	-	-	(18,978)	-
Gain on foreign exchange		(559,175)	(2,119,827)	-	-
Operating profit/(loss) before changes in working capital		6,324,360	4,323,606	(291,491)	(2,511,525)
Changes in working capital:					
Inventories		213,776	(748,606)	-	-
Trade receivables		(1,960,123)	(4,525,961)	-	-
Other receivables, deposits and prepayments		947,410	(1,118,215)	(11,512)	(2,000)
Trade payables		1,699,502	781,027	-	-
Other payables and accrued expenses		162,821	693,901	15,568	5,098
Amount owing to ultimate holding company		-	(155,985)	-	(134,785)
Amount owing by a subsidiary		-	-	(5,068,087)	(4,205,497)
Amounts owing by/to related companies		-	417,545	-	-
Amounts owing by/to related parties		13,991	(699,379)	-	-
Amounts owing to Directors		55,594	87,689	-	-
Cash generated from/(used in) operations		7,457,331	(944,378)	(5,355,522)	(6,848,709)
Tax paid		(1,246,820)	(1,656,734)	(42,063)	(36,000)
Tax refunded		8,875	49,205	-	-
Net cash from/(used in) operating activities		6,219,386	(2,551,907)	(5,397,585)	(6,884,709)

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018
cont'd

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received		-	-	4,359,878	4,904,863
Interest received		112,337	157,378	-	-
Proceeds from disposal of property, plant and equipment		671,665	15,080	-	-
Purchase of intangible assets	6	(7,000)	-	-	-
Purchase of property, plant and equipment	5	(9,736,348)	(4,638,228)	(6,300)	-
Net cash (used in)/from investing activities		(8,959,346)	(4,465,770)	4,353,578	4,904,863
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	31	(4,330,688)	(4,330,688)	(4,330,688)	(4,330,688)
Interest paid		(969,676)	(853,383)	-	-
Issuance of ordinary shares	14	-	17,280,000	-	17,280,000
Share issue expenses		-	(522,000)	-	(522,000)
Net drawdowns of bankers' acceptances and term loans		853,338	5,298,159	-	-
Repayments of hire purchase and lease creditors		(290,700)	(297,527)	-	-
Placements of deposits with licensed banks with maturity of over three (3) months		(148,019)	-	-	-
Placements of deposits pledged as securities		(83,675)	1,380,804	-	-
Net cash (used in)/from financing activities		(4,969,420)	17,955,365	(4,330,688)	12,427,312
Net (decrease)/increase in cash and cash equivalents		(7,709,380)	10,937,688	(5,374,695)	10,447,466
Effects of foreign exchange rates changes		(5,391)	(30,521)	-	-
Cash and cash equivalents at the beginning of financial year		13,617,242	2,710,075	10,447,468	2
Cash and cash equivalents at end of financial year	13(h)	5,902,471	13,617,242	5,072,773	10,447,468

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018
cont'd

Reconciliation of Liabilities Arising from Financing Activities

		Group	
		2018	2017
	Note	RM	RM
Bankers' acceptances and term loans			
At the beginning of the year		19,466,565	14,469,544
Cash flow		853,338	5,298,159
Non-cash flows:			
Effect of foreign exchange		159,437	(301,138)
At the end of the year	17	20,479,340	19,466,565
Hire purchase and lease creditors			
At the beginning of the year		835,868	765,395
Cash flows		(290,700)	(297,527)
Non-cash flows:			
- Purchase of property, plant and equipment	5(d)	668,789	368,000
At the end of the year	19	1,213,957	835,868

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

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.

The registered office of the Company is located at 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak, Malaysia.

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

The consolidated financial statements for the financial year ended 31 December 2018 comprise 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 4 April 2019.

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 of the Group and of the Company 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.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs adopted during the financial year are disclosed in Note 36(a) to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

4. OPERATING SEGMENTS *cont'd*

	2018 RM	2017 RM
Revenue from external customers		
Malaysia	38,257,487	36,551,941
America	4,187,194	7,669,794
East Asia & Oceania	26,948,977	25,903,052
Europe	4,411,436	2,316,823
South Asia, Middle East & Africa	9,396,324	7,034,292
South East Asia	29,062,008	11,297,446
	112,263,426	90,773,348
Non-current assets		
Malaysia	39,559,776	33,862,659
East Asia & Oceania	1,238,264	1,070,423
	42,704,340	34,933,082

Major customer

There is only one (2017:one) major customer contributing approximately RM13,046,000 (2017: RM11,563,000) of the revenue of the Group, which equals to ten percent (10%) or more of the revenue of the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

5. PROPERTY, PLANT AND EQUIPMENT

Group 2018	Balance as at 1.1.2018	Additions	Disposals	Write off	Currency translation differences	Depreciation charge for the financial year	Balance as at 31.12.2018
	RM	RM	RM	RM	RM	RM	RM
Carrying amount							
Long-term leasehold land	2,440,705	-	-	-	-	(42,076)	2,398,629
Buildings	9,391,678	193,548	-	-	-	(254,427)	9,330,799
Plant and machinery	14,411,399	6,818,575	(39,218)	-	(12,871)	(2,750,277)	18,427,608
Factory equipment	2,474,756	1,127,046	(398)	(282)	6,872	(491,276)	3,116,718
Furniture, fixtures and office equipment	507,030	60,248	-	(3,687)	(338)	(103,008)	460,245
Electrical installation	2,089,415	38,533	-	-	(194)	(179,999)	1,947,755
Factory renovation	1	-	-	-	-	-	1
Signboards	1	-	-	-	-	-	1
Motor vehicles	2,205,882	928,527	(280,232)	-	19,411	(548,781)	2,324,807
Capital work-in-progress	29,242	1,238,660	-	-	-	-	1,267,902
	33,550,109	10,405,137	(319,848)	(3,969)	12,880	(4,369,844)	39,274,465

	At 31.12.2018		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Long-term leasehold land	3,097,733	(699,104)	2,398,629
Buildings	11,755,294	(2,424,495)	9,330,799
Plant and machinery	39,717,667	(21,290,059)	18,427,608
Factory equipment	6,341,533	(3,224,815)	3,116,718
Furniture, fixtures and office equipment	2,031,840	(1,571,595)	460,245
Electrical installation	3,061,645	(1,113,890)	1,947,755
Factory renovation	29,506	(29,505)	1
Signboards	13,961	(13,960)	1
Motor vehicles	5,068,805	(2,743,998)	2,324,807
Capital work-in-progress	1,267,902	-	1,267,902
	72,385,886	(33,111,421)	39,274,465

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

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

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	2,482,781	-	-	-	(42,076)	2,440,705
Buildings	9,538,157	103,938	-	-	(250,417)	9,391,678
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)	-	(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	-	(111)	(178,858)	2,089,415
Factory renovation	1	-	-	-	-	1
Signboards	1	-	-	-	-	1
Motor vehicles	1,820,913	904,041	-	(32,466)	(486,606)	2,205,882
Capital work-in-progress	-	29,242	-	-	-	29,242
	32,660,635	5,006,228	(24,826)	(64,138)	(4,027,790)	33,550,109

	At 31.12.2017		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Long-term leasehold land	3,097,733	(657,028)	2,440,705
Buildings	11,561,746	(2,170,068)	9,391,678
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	-	29,242
	63,631,741	(30,081,632)	33,550,109

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

Company 2018	Balance as at 1.1.2018	Additions	Depreciation charge for the financial year	Balance as at 31.12.2018
	RM	RM	RM	RM
Carrying amount				
Furniture, fixtures and office equipment	-	6,300	(1,050)	5,250
	-	6,300	(1,050)	5,250

	At 31.12.2018		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Furniture, fixtures and office equipment	6,300	(1,050)	5,250
	6,300	(1,050)	5,250

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

(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:

Buildings	50 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

Leasehold land is depreciated over their remaining leases which range from 62 years to 94 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) The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance lease in accordance with MFRS 117 *Leases*.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

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

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Purchase of property, plant and equipment	10,405,137	5,006,228	6,300	-
Financed by hire purchase and lease arrangements	(668,789)	(368,000)	-	-
Cash payments on purchase of property, plant and equipment	9,736,348	4,638,228	6,300	-

(e) 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	
	2018	2017
	RM	RM
Motor vehicles	1,316,055	1,184,968

(f) 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 18 and 20 to the financial statements as follows:

	Group	
	2018	2017
	RM	RM
Long-term leasehold land	1,098,192	1,117,012
Buildings	3,147,595	3,136,044
Plant and machinery	3,454,187	4,971,478
	7,699,974	9,224,534

6. INTANGIBLE ASSET

	Group	
	2018	2017
Computer software	RM	RM
Cost		
Balance as at 1 January	65,100	65,100
Addition	7,000	-
Balance as at 31 December	72,100	65,100

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

6. INTANGIBLE ASSET *cont'd*

	Group	
	2018	**2017**
	RM	**RM**
Accumulated amortisation		
Balance as at 1 January	43,400	21,700
Amortisation charge for the year	28,699	21,700
Balance as at 31 December	72,099	43,400
Carrying amount		
Balance as at 31 December	1	21,700

(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

7. INVESTMENT IN A SUBSIDIARY

	Company	
	2018	**2017**
	RM	**RM**
Investment in a subsidiary		
Unquoted shares - at cost	48,148,447	48,148,447
Equity loan		
Equity loan granted to a subsidiary	6,180,000	-
	54,328,447	48,148,447

(a) Investment in a subsidiary is measured at cost less any accumulated impairment losses.

(b) In the previous financial years, 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

7. INVESTMENT IN A SUBSIDIARY *cont'd*

(c) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity 2018 %	2017 %	Principal activities
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.				
Jiaxing YongAn Rubber Co., Ltd.*	People's Republic of China	100	100	Production and sales of rubber 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.

(d) Equity loan to a subsidiary is unsecured, interest-free and has no fixed terms of repayment, and is considered to be part of Company's net investment in its subsidiary. During the current financial year, the Company has provided equity loan of RM6,180,000 to its subsidiary, Eversafe Rubber Works Sdn. Bhd. by way of capitalisation of amount owing by its subsidiary.

(e) 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 Jiaxing 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 had no financial impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

8. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost		
Raw materials	7,136,293	6,094,339
Work-in-progress	1,622,270	1,553,698
Finished goods	7,324,009	5,933,535
	16,082,572	13,581,572
At net realisable value		
Raw materials	9,892	-
Finished goods	40,093	157,718
	49,985	157,718
	16,132,557	13,739,290

(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 and stated at the lower of cost and net realisable value.

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM96,429,235 (2017: RM71,552,986).

(c) During the current financial year, write down of inventories recognised for the Group amounted to RM54,445 (2017: Nil).

(d) In the previous financial year, the Group reversed RM44,233 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	
	2018	2017
	RM	RM
Non-current		
Trade receivables	1,872,739	1,622,845
Less: Accumulated impairment losses	(349,165)	(261,572)
	1,523,574	1,361,273
Current		
Trade receivables	26,376,472	28,651,791
Less: Accumulated impairment losses	(4,401,696)	(766,504)
	21,974,776	27,885,287
Total trade receivables	23,498,350	29,246,560

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018
cont'd

9. TRADE RECEIVABLES *cont'd*

(a) Trade receivables are classified as financial assets and measured at amortised cost.

(b) Non-current trade receivables are unsecured, interest-free and not receivable within the next twelve (12) months.

(c) Current trade receivables are non-interest bearing and the trade credit terms of trade receivables granted by the Group range from 0 to 90 days (2017: 0 to 90 days). Other credit terms are assessed and approved by the Group on case-by-case basis up to 180 days.

(d) Foreign currency exposure of trade receivables of the Group are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Ringgit Malaysia ("RM")	8,437,193	13,920,211
US Dollar ("USD")	6,926,359	6,329,202
Australian Dollar ("AUD")	1,804,167	2,039,219
Singapore Dollar ("SGD")	1,729,273	948,420
Hong Kong Dollar ("HKD")	1,655,821	998,538
Japanese Yen ("JPY")	1,208,089	1,433,189
Renminbi ("RMB")	1,043,292	2,294,340
Euro ("EUR")	549,125	1,283,441
Great Britain Pound ("GBP")	145,031	-
	23,498,350	29,246,560

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

9. TRADE RECEIVABLES *cont'd*

(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	
	2018	**2017**
	RM	**RM**
USD/RM		
- strengthen 3% (2017: 3%)	157,921	144,306
- weaken 3% (2017: 3%)	(157,921)	(144,306)
AUD/RM		
- strengthen 3% (2017: 3%)	41,135	46,494
- weaken 3% (2017: 3%)	(41,135)	(46,494)
SGD/RM		
- strengthen 3% (2017: 3%)	39,427	21,624
- weaken 3% (2017: 3%)	(39,427)	(21,624)
RMB/RM		
- strengthen 3% (2017: 3%)	23,787	52,311
- weaken 3% (2017: 3%)	(23,787)	(52,311)
HKD/RM		
- strengthen 3% (2017: 3%)	37,753	22,767
- weaken 3% (2017: 3%)	(37,753)	(22,767)

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

(g) Impairment for trade receivables that are recognised based on the simplified approach using the lifetime expected credit losses.

The Group considers historical credit loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected credit loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other operating expenses in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivables would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

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9. TRADE RECEIVABLES *cont'd*

(g) Impairment for trade receivables that are recognised based on the simplified approach using the lifetime expected credit losses. *cont'd*

It requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

Lifetime expected loss provision for trade receivables as at 31 December 2018 are as follows:

2018	**Expected loss rate**	**Gross carrying amount / Maximum exposure**	**Expected loss provision**	**Net balance RM**
	%	**RM**	**RM**	
Current	5	20,265,207	962,309	19,302,898
Past due:				
1 to 30 days	26	1,962,605	512,690	1,449,915
31 to 60 days	31	956,210	298,163	658,047
61 to 90 days	33	840,366	276,450	563,916
More than 90 days	100	2,352,084	2,352,084	-
		26,376,427	4,401,696	21,974,776
Non-current	19	1,872,739	349,165	1,523,574

Movement of impairment:

		Group	
		2018	**2017**
	Note	**RM**	**RM**
Current			
At the beginning of the year		766,504	495,714
Effect of adoption of MFRS 9	36(a)	3,679,361	-
As restated		4,445,865	495,714
Allowance made		665,590	278,356
Reversal		(60,115)	(7,566)
Write off		(649,644)	-
At the end of the year		4,401,696	766,504
Non-current			
At the beginning of the year		261,572	-
Effect of adoption of MFRS 9	36(a)	188,628	-
As restated		450,200	-
Allowance made		71,646	261,572
Reversal		(172,681)	-
At the end of the year		349,165	261,572

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10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other receivables	180,733	189,418	-	-
Refundable deposits	814,505	2,554,153	2,000	2,000
Goods and Services Tax ("GST") receivable	1,215,658	661,246	11,512	-
Total other receivables	2,210,896	3,404,817	13,512	2,000
Less : Accumulated impairment losses	(6,013)	-	-	-
Prepayments	682,677	397,753	-	-
	2,887,560	3,404,817	13,512	3,000

(a) Total other receivables are classified as financial assets and measured at amortised cost.

(b) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. The Group defined significant increase in credit risk as twenty percent (20%) on relative basis. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by other receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables.

The reconciliation of movements in allowance for impairment losses for other receivables is as follows:

Movement of impairment:

	Group	
	2018	2017
	RM	RM
At the beginning of the year	-	-
Effect of adoption of MFRS 9	-	-
As restated	-	-
Allowance made	6,013	-
At the end of the year	6,013	-

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10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *cont'd*

(c) Currency exposure profile of total other receivables are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia ("RM")	1,628,231	3,284,137	13,512	2,000
Hong Kong Dollar ("HKD")	553,594	70,364	-	-
Renminbi ("RMB")	23,058	50,316	-	-
	2,204,883	3,404,817	13,512	2,000

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

11. AMOUNT OWING BY A SUBSIDIARY

	Company	
	2018	**2017**
	RM	**RM**
Non-current		
Non-trade	6,705,897	-
Less: Accumulated impairment losses	(302,847)	-
	6,403,050	-
Current		
Non-trade	-	4,111,913
	6,403,050	4,111,913

(a) The amount owing by a subsidiary is classified as financial assets and measured at amortised cost.

(b) Impairment for amount owing by a subsidiary is recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly as defined in Note 10(b), lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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11. AMOUNT OWING BY A SUBSIDIARY *cont'd*

(c) The reconciliation of movements in allowance for impairment losses for amount owing by a subsidiary is as follows:

Movement of impairment:

		Company	
		2018	**2017**
	Note	**RM**	**RM**
Individual assessment			
At the beginning of the year		-	-
Effect of adoption of MFRS 9	36(a)	321,825	-
As restated		321,825	-
Reversal		(18,978)	-
At the end of the year		302,847	-

(d) Amount owing by a subsidiary is non-trade, unsecured, interest free and not receivable within the next twelve (12) months. In the previous financial year, the amount owing by a subsidiary was receivable within next twelve (12) months.

(e) Amount owing by a subsidiary is denominated in RM.

12. AMOUNTS OWING BY RELATED PARTIES

	Group	
	2018	**2017**
	RM	**RM**
Current		
Trade	866,666	733,332
Less: Accumulated impairment losses	(66,287)	-
	800,379	733,332

(a) Amounts owing by related parties are classified as financial assets and measured at amortised cost.

(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, (2017:60 to 90 days).

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

(c) Impairment for the amounts owing by related parties are recognised based on the simplified approach in providing for expected credit losses under MFRS 9 using the forward looking expected credit loss model as disclosed in Note 9 to the financial statements.

	Group	
	2018	**2017**
	RM	**RM**
At the beginning of the year	-	-
Allowance made	66,287	-
At the end of the year	66,287	-

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

13. CASH AND BANK BALANCES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	7,805,889	15,033,400	5,072,773	10,447,468
Deposits with licensed banks	5,313,956	5,082,262	-	-
	13,119,845	20,115,662	5,072,773	10,447,468

(a) Cash and bank balances are classified as financial assets and measured at amortised cost.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia ("RM")	11,864,223	18,849,808	5,072,773	10,447,468
Hong Kong Dollar("HKD")	487,726	138,728	-	-
US Dollar ("USD")	408,963	25,653	-	-
Renminbi ("RMB")	230,507	707,813	-	-
Euro ("EUR")	121,178	173,710	-	-
Japanese Yen ("JPY")	5,384	188,273	-	-
Singapore Dollar ("SGD")	1,653	-	-	-
Australian Dollar ("AUD")	211	31,677	-	-
	13,119,845	20,115,662	5,072,773	10,447,468

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

(d) Deposits pledged to licensed banks amounting to RM3,665,937 (2017: RM3,582,262) are for term loans, bankers' acceptances and bank overdrafts granted to certain subsidiaries as disclosed in Notes 18(c) and 20(c) to the financial statements.

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13. CASH AND BANK BALANCES *cont'd*

(e) Deposits are placed with licensed banks for varying periods of between one (1) month and one (1) year (2017:between one (1) month and one (1) year) depending on the immediate cash requirements of the Group, and earn interests at the respetive short-term deposit rates.

(f) Weighted average effective interest rate of deposits with licensed banks of the Group as at the end of each reporting period is 3.17% (2017: 3.26%).

(g) Sensitivity analysis for cash and bank balances at the end of the reporting period is not presented as fixed rate instrument is not affected by changes in interest rates.

(h) 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	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	7,805,889	15,033,400	5,072,773	10,447,468
Deposits with licensed banks	5,313,956	5,082,262	-	-
Bank overdrafts included in borrowings (Note 17)	(1,903,418)	(1,416,158)	-	-
	11,216,427	18,699,504	5,072,773	10,447,468
Less: Deposits with licensed banks with maturity of over three (3) months	(1,648,019)	(1,500,000)	-	-
Less: Deposits pledged as securities	(3,665,937)	(3,582,262)	-	-
	5,902,471	13,617,242	5,072,773	10,447,468

(i) No expected credit losses are recognised arising from the bank balances and deposits with financial institutions because the probability of default by these financial institutions is negligible.

14. SHARE CAPITAL

2018 **Group and Company**	**Number of ordinary shares**	**RM**
Issued and fully paid:		
Balance as at 1 January 2018/31 December 2018	240,593,796	65,428,449
2017		
Group and Company		
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	240,593,796	65,428,449

(a) In the previous 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.

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14. SHARE CAPITAL *cont'd*

(b) 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.

(c) 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.

15. RESERVES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Non-distributable:				
Capital reserve	7,104	7,104	-	-
Foreign currency translation reserve	(1,111,447)	(1,252,168)	-	-
Reorganisation debit reserve	(36,914,958)	(36,914,958)	-	-
Distributable:				
Retained earnings/(Accumulated losses)	32,901,632	41,131,835	358,019	(2,741,819)
	(5,117,669)	2,971,813	358,019	(2,741,819)

(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.

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16. 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 RM	Trade receivables RM	Inventories RM	Total RM
Balance as at 1 January 2018 as previously reported	3,917,417	(132,001)	-	3,785,416
Effect of adoption of MFRS 9 (Note 36(a))	-	(45,270)	-	(45,270)
Balance as at 1 January 2018, as restated	3,917,417	(177,271)	-	3,740,146
Recognised in profit or loss (Note 29)	265,375	(42,242)	(14,142)	208,991
Exchange differences	1,737	-	-	1,737
Balance as at 31 December 2018	4,184,529	(219,513)	(14,142)	3,950,874
Balance as at 1 January 2017	4,198,863	39,435	(3,957)	4,234,341
Recognised in profit or loss (Note 29)	(275,684)	(171,436)	3,957	(443,163)
Exchange differences	(5,762)	-	-	(5,762)
Balance as at 31 December 2017	3,917,417	(132,001)	-	3,785,416

(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	
	2018 RM	2017 RM
Unused tax losses		
- No expiry date	936,131	640,891
- Expired by 31 December 2018	-	1,392,464
- Expired by 31 December 2019	166,005	370,224
- Expired by 31 December 2020	511,061	808,764
- Expired by 31 December 2021	469,884	489,976
- Expired by 31 December 2022	685,200	1,329,145
- Expired by 31 December 2023	860,419	-
	3,628,700	5,031,464

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

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

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 authorities in the foreign jurisdictions.

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17. BORROWINGS

	Group	
	2018	**2017**
	RM	**RM**
Non-current liabilities		
Term loans (Note 18)	293,253	1,158,895
Hire purchase and lease creditors (Note 19)	810,688	549,939
	1,103,941	1,708,834
Current liabilities		
Bankers' acceptances (Note 18)	18,898,506	17,256,669
Term loans (Note 18)	1,287,581	1,051,001
Hire purchase and lease creditors (Note 19)	403,269	285,929
Bank overdrafts (Notes 13(h) and 20)	1,903,418	1,416,158
	22,492,774	20,009,757
Total borrowings		
Bankers' acceptances (Note 18)	18,898,506	17,256,669
Term loans (Note 18)	1,580,834	2,209,896
Hire purchase and lease creditors (Note 19)	1,213,957	835,868
Bank overdrafts (Notes 13(h) and 20)	1,903,418	1,416,158
	23,596,715	21,718,591

(a) Borrowings are classified as financial liabilities and measured at amortised cost.

(b) Borrowings of the Group are denominated in the following currencies:

	Group	
	2018	**2017**
	RM	**RM**
Ringgit Malaysia ("RM")	13,305,420	15,895,922
US Dollar ("USD")	9,812,506	5,822,669
Hong Kong Dollar ("HKD")	478,789	-
	23,596,715	21,718,591

(c) A 3% strengthening/weakening of the RM against USD and HKD as at the end of the reporting period of the Group would have increased/decreased profit for the financial year by approximately RM223,725 (2017: RM132,757) and RM10,916 (2017: RM Nil), with all other variables held constant.

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17. BORROWINGS *cont'd*

(d) The carrying amounts of the current position of borrowings are reasonable approximations of fair values due to insignificant impact of discounting.

The carrying amounts of the non-current borrowings are reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair value of borrowings is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(e) Sensitivity analysis of interest rate as at the end of the reporting period assuming that all other variables remain constant are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Profit after tax		
- Increase by 0.1% (2017: 0.1%)	(17,011)	(15,871)
- Decrease by 0.1% (2017: 0.1%)	17,011	15,871

(f) Information on liquidity and cash flow risks of borrowings is disclosed in Note 35 to the financial statements.

(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 2018	**%**	**RM**	**RM**	**RM**	**RM**
Fixed rates					
Hire purchase and lease creditors	4.50	403,269	310,618	500,070	1,213,957
Floating rates					
Bankers' acceptances	4.30	18,898,506	-	-	18,898,506
Term loans	6.68	1,287,581	272,401	20,852	1,580,834
Bank overdrafts	8.08	1,903,418	-	-	1,903,418
31 December 2017					
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	-	-	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	-	-	1,416,158

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18. TERM LOANS AND BANKERS' ACCEPTANCES

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

(a) Legal charges over long-term leasehold land and buildings of a subsidiary (Note 5(f));

(b) Fixed charges over certain plant and machinery of a subsidiary (Note 5(f));

(c) Pledge of short-term deposits of a subsidiary (Note 13(d)); and

(d) Joint and several guarantees by certain Directors of the Company and its subsidiaries.

19. HIRE PURCHASE AND LEASE CREDITORS

	Group	
	2018	**2017**
	RM	**RM**
Minimum hire purchase and lease payments:		
- not later than one (1) year	450,582	322,448
- later than one (1) year but not later than five (5) years	890,432	608,993
Total minimum hire purchase and lease payments	1,341,014	931,441
Less: Future interest charges	(127,057)	(95,573)
Present value of hire purchase and lease payments	1,213,957	835,868
Repayable as follows:		
Current liabilities		
- not later than one (1) year	403,269	285,929
Non-current liabilities		
- later than one (1) year but not later than five (5) years	810,688	549,939
	1,213,957	835,868

(a) Sensitivity analysis for fixed rate hire purchase and lease creditors as at the end of the reporting period is not presented as they are not affected by changes in interest rates.

(b) Hire purchase and lease creditors of the Group are secured by the financial institutions' charge over the assets under hire purchase. Certain hire purchase and lease creditors of the Group are also guaranteed by certain Directors of the Company.

(c) The carrying amounts of hire purchase and lease creditors of the Group as at the end of the reporting period are reasonable approximation of fair values due to the insignificant impact of discounting.

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20. BANK OVERDRAFTS

Bank overdrafts of the Group are secured as follows:

(a) Legal charges over properties of a subsidiary (Note 5(f)) and a related party;

(b) Fixed charges over certain plant and machinery of a subsidiary (Note 5(f));

(c) Pledge of short term deposits of a subsidiary (Note 13(d));

(d) Joint and several guarantees by certain Directors of the Company and its subsidiaries; and

(e) Fresh corporate guarantee by a related party.

21. TRADE PAYABLES

(a) Trade payables are classified as financial liabilities measured at amortised cost.

(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 (2017: one (1) month to three (3) months).

(c) Foreign currency exposure of trade payables of the Group are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Ringgit Malaysia ("RM")	4,579,766	3,732,000
Hong Kong Dollar ("HKD")	514,400	-
US Dollar ("USD")	116,362	155,035
Renminbi ("RMB")	33,544	23,785
Singapore Dollar ("SGD")	-	15,147
	5,244,072	3,925,967

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

(e) Information on liquidity and cash flow risks of trade payables is disclosed in Note 35 to the financial statements.

22. OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Other payables	1,667,453	1,555,244	24,366	1,140
Accrued expenses	1,084,740	1,126,130	-	11,693
GST payable	80,469	34,420	8,300	4,265
	2,832,662	2,715,794	32,666	17,098

(a) Other payables and accrued expenses are classified as financial liabilities and measured at amortised cost.

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22. OTHER PAYABLES AND ACCRUED EXPENSES *cont'd*

(b) Foreign currency exposure of other payables and accrued expenses of the Group and of the Company are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia ("RM")	2,621,089	2,436,904	32,666	17,098
US Dollar ("USD")	-	120,564	-	-
Renminbi ("RMB")	101,329	117,733	-	-
Hong Kong Dollar ("HKD")	110,244	39,884	-	-
New Taiwan Dollar ("TWD")	-	709	-	-
	2,832,662	2,715,794	32,666	17,098

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

(d) Information on liquidity and cash flow risks of other payables and accrued expenses is disclosed in Note 35 to the financial statements.

23. AMOUNTS OWING TO RELATED PARTIES

(a) Amounts owing to related parties are classified as financial liabilities and measured at amortised cost.

(b) Amounts owing to related parties arose from trade transactions, which are on credit terms of 180 days (2017: 180 days).

(c) Amounts owing to related parties are denominated in RM.

(d) Information on liquidity and cash flow risks of amounts owing to related parties is disclosed in Note 35 to the financial statements.

24. AMOUNTS OWING TO DIRECTORS

(a) Amounts owing to Directors are classified as financial liabilities and measured at amortised cost.

(b) Amounts owing to Directors mainly arose from unsecured advances, which are interest-free and payable upon demand in cash and cash equivalents.

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24. AMOUNTS OWING TO DIRECTORS *cont'd*

(c) Currency exposure profile of amounts owing to Directors are as follows:

	Group	
	2018	2017
	RM	RM
Ringgit Malaysia ("RM")	172,296	117,275
Renminbi ("RMB")	81,013	80,440
	253,309	197,715

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

(e) Information on liquidity and cash flow risks of amounts owing to Directors is disclosed in Note 35 to the financial statements.

25. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Revenue from contracts with customers:				
- Sale of rubber based tyre retreaded products and related charges	112,263,426	90,773,348	-	-
- Management fee	-	-	180,000	180,000
	112,263,426	90,773,348	180,000	180,000
Other revenue:				
- Dividend income from a subsidiary	-	-	8,065,775	4,904,863
	112,263,426	90,773,348	8,245,775	5,084,863
Timing of revenue recognition:				
Products and services transferred over time	-	-	180,000	180,000
Products and services transferred at a point in time	112,263,426	90,773,348	-	-
	112,263,426	90,773,348	180,000	180,000

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 4 to the financial statements, which has been presented based on geographical location from which the sale transactions originated.

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25. REVENUE *cont'd*

(a) Revenue from contracts with customers

Sales of products

Revenue from sale of goods is recognised at a point in time when the products have been transferred to the customers and coincides with the delivery of goods and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of products.

Management fee

Management fee from the provision of management services to subsidiary is recognised over time when subsidiary simultaneously receives and consumes the benefits.

(b) Other revenue

Dividend income

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

26. EMPLOYEE BENEFITS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Wages, salaries, allowances and bonuses	12,124,196	8,033,742	92,045	193,210
Contributions to defined contribution plans	600,725	486,921	10,266	21,702
Social security contributions	117,269	100,381	943	1,950
Other employee benefits	869,404	459,904	87	-
	13,711,594	9,080,948	103,341	216,862

Included in employee benefits expense of the Group are Executive Directors' remuneration amounting to RM1,025,442 (2017: RM905,936) as further disclosed in Note 28 to the financial statements.

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27. PROFIT BEFORE TAX

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Profit before tax is arrived at after charging				
Auditors' remuneration				
Statutory audit:				
- auditors of the Company	113,000	80,000	12,600	11,500
- other auditors	24,665	33,234	-	-
Non-statutory audit	4,000	388,000	4,000	373,000
Bad debts written off	247	3,514	-	-
Directors' remuneration paid and payable to:				
Directors' fees				
- Directors of the Company	375,000	375,000	240,000	240,000
- Directors of the subsidiaries	30,000	15,000	-	-
Other emoluments				
- Directors of the Company	1,036,542	868,976	-	-
- Directors of the subsidiaries	-	36,960	-	-
Interests on:				
- bankers' acceptances and bank overdrafts	777,641	644,169	-	-
- hire purchase and lease creditors	33,474	34,495	-	-
- term loans	158,561	174,719	-	-
Loss on disposal of property, plant and equipment	-	9,746	-	-
Loss on foreign exchange	516,314	662,948	-	-
Rental of:				
- hostel	64,167	40,137	-	-
- premises	1,741,493	643,407	-	-
And crediting:				
Finance income	112,337	157,378	-	-
Gain on disposal of property, plant and equipment	351,817	-	-	-
Gain on foreign exchange	565,079	645,625	-	-

NOTES TO THE FINANCIAL STATEMENTS
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28. DIRECTORS' REMUNERATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Directors of the Company:				
Executive:				
Fees	185,000	185,000	90,000	90,000
Other emoluments	1,025,442	868,976	-	-
Non-executive:				
Fees	190,000	190,000	150,000	150,000
Other emoluments	11,100	-	-	-
Directors of the subsidiaries:				
Executive:				
Fees	30,000	15,000	-	-
Other emoluments	-	36,960	-	-
Total	1,441,542	1,295,936	240,000	240,000

Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM69,792 (2017: RM57,156).

Remuneration paid and payable to the Directors of the Company for the financial year, analysed into bands of RM50,000 are as follows:

	Number of Directors	
	Executive	**Non-Executive**
2018		
RM1 - RM50,000	-	4
RM50,001 - RM100,000	-	1
RM200,001 - RM250,000	1	-
RM300,001 - RM350,000	1	-
RM600,001 - RM650,000	1	-
2017		
RM1 - RM50,000	-	4
RM50,001 - RM100,000	-	1
RM250,000 - RM300,000	1	-
RM300,001 - RM350,000	1	-
RM500,001 - RM550,000	1	-

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29. TAX EXPENSE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current tax expense based on profit for the financial year	441,526	1,500,490	39,898	42,100
Overprovision in prior years	(153,793)	(291,300)	(37)	-
	287,733	1,209,190	39,861	42,100
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	(45,488)	(819,373)	-	-
Underprovision in prior years	254,479	376,210	-	-
	208,991	(443,163)	-	-
Tax expense	496,724	766,027	39,861	42,100

(a) Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profits for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

(c) Numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Profit before tax	1,344,069	1,196,549	7,792,212	2,393,338
Tax at statutory tax rate of 24% (2017: 24%)	322,577	287,172	1,870,131	574,401
Tax effects in respect of:				
Non-allowable expenses	1,251,322	962,320	172,642	701,990
Non-taxable income	(348,204)	(545,129)	(2,002,875)	(1,234,291)
Utilisation of reinvestment allowance	(759,822)	(373,576)	-	-
Utilisation of previously unrecognised deferred tax assets	(372,392)	-	-	-
Different tax rates in foreign jurisdiction	31,654	(87,705)	-	-
Deferred tax assets not recognised	270,903	438,035	-	-
	396,038	681,117	39,898	42,100
Overprovision of current tax expense in prior years	(153,793)	(291,300)	(37)	-
Underprovision of deferred tax in prior years	254,479	376,210	-	-
Income tax expense	496,724	766,027	39,861	42,100

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

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29. TAX EXPENSE *cont'd*

(d) Tax effect on each component of other comprehensive income/(loss) is as follows:

	Before tax RM	Tax effect RM	After tax RM
Group			
At 31 December 2018			
Item that may be subsequently reclassified to profit or loss:			
Foreign currency translations	140,721	-	140,721
At 31 December 2017			
Item that may be subsequently reclassified to profit or loss:			
Foreign currency translations	(13,010)	-	(13,010)

30. 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 equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018 RM	2017 RM
Profit for the financial year attributable to equity holders of the Company	847,345	430,522
Weighted average number of ordinary shares in issue (units)	240,593,796	226,391,056
Basic earnings per ordinary share for (sen):	0.35	0.19

(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.

31. DIVIDEND

	Group and Company			
	2018		2017	
	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM
Single tier interim dividend	1.80	4,330,688	1.80	4,330,688

On 4 October 2018, the Company made payment for first single tier interim dividend in respect of financial year ended 31 December 2018.

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32. 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.

Related parties of the Group include:

(i) Tai Hin & Son (PG) Sdn. Bhd., major shareholder;

(ii) Direct and indirect subsidiaries of the major shareholder;

(iii) Direct and indirect subsidiaries as disclosed in Note 7 to the financial statements; and

(iv) The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

(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	
	2018	**2017**
	RM	**RM**
With major shareholder:		
Tai Hin & Son (PG) Sdn. Bhd.		
- Rental paid	216,000	144,000
With direct and indirect subsidiaries of major shareholder:		
Tayarmart (M) Sdn. Bhd.		
- Sale of trading goods	1,385,113	1,545,027
- Purchase of raw materials	69,209	107,954
- Motor vehicle services and maintenance	-	13,540
Tayarmart (Raja Uda) Sdn. Bhd.		
- Sale of trading goods	285,718	246,037
- Purchase of raw materials	10,959	22,682
Tayarmart (T. Bagan) Sdn. Bhd.		
- Sale of trading goods	-	80
- Purchase of raw materials	4,710	9,098

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32. RELATED PARTY DISCLOSURES *cont'd*

(c) Compensation of key management personnel

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Fees	405,000	390,000	240,000	240,000
Short term employee benefits	1,541,721	1,320,309	57,598	102,232
Contributions to defined contribution plans	126,528	119,411	6,018	9,738
	2,073,249	1,829,720	303,616	351,970

33. COMMITMENTS

(a) Operating lease commitments - as lessee

The Group had entered into non-cancellable lease agreements for office, factory and warehouse, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates.

Future minimum rentals payable under non-cancellable operating lease at the end of the reporting period are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Not later than one (1) year	1,580,559	271,303
Later than one (1) year and not later than five (5) years	25,500	16,575
	1,606,059	287,878

(b) Capital commitments

	Group	
	2018	**2017**
	RM	**RM**
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	620,400	4,936,322

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34. 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 2018 and 31 December 2017.

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, 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 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Borrowings	23,596,715	21,718,591	-	-
Less: Cash and bank balances	(13,119,845)	(20,115,662)	(5,072,773)	(10,447,468)
Net debt/(Net cash)	10,476,870	1,602,929	(5,072,773)	(10,447,468)
Total capital	60,310,780	68,400,262	62,080,571	62,686,630
Net debt-to-equity ratio	0.17	0.02	*	*

* *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.

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

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 2018.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer/Executive Director. The audit committee provides independent oversight to the effectiveness of the risk management process. The Group is exposed mainly to foreign currency risk (Notes 9 and 17), liquidity and cash flow risk, credit risk and interest rate risk (Note 17). Information on the management of the related exposures is detailed below.

(a) Liquidity and cash flow risks

It is the Group's policy to ensure its ability to service its cash obligation in the future by way of measures and forecasts of its cash commitments, monitoring and maintaining a level of cash and bank balances deemed adequate to the Group's operations and development activities. The Group also maintains flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

Group	**On demand or within one (1) year**	**One (1) to five (5) year**	**Total**
	RM	**RM**	**RM**
2018			
Financial liabilities			
Trade payables	5,244,072	-	5,244,072
Other payables and accrued expenses	2,832,662	-	2,832,662
Amounts owing to related parties	41,361	-	41,361
Amounts owing to Directors	253,309	-	253,309
Borrowings	22,608,462	1,189,324	23,797,786
Total undiscounted financial liabilities	30,979,866	1,189,324	32,169,190
2017			
Financial liabilities			
Trade payables	3,925,967	-	3,925,967
Other payables and accrued expenses	2,715,794	-	2,715,794
Amounts owing to related parties	33,953	-	33,953
Amounts owing to Directors	197,715	-	197,715
Borrowings	20,046,276	1,767,888	21,814,164
Total undiscounted financial liabilities	26,919,705	1,767,888	28,687,593
Company			
2018			
Financial liability			
Other payables and accrued expenses/ Total undiscounted financial liability	32,666	-	32,666
2017			
Financial liability			
Other payables and accrued expenses/ Total undiscounted financial liability	17,098	-	17,098

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY *cont'd*

(b) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

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.

As at the end of the reporting period, there were no significant concentration of credit risk. The Group and the Company do not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

36. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 15 and MFRS 9 described in the following sections.

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

(a) New MFRSs adopted during the financial year *cont'd*

The following summarises the impact of adopting MFRS 9 and MFRS 15 on the statements of financial position of the Group and the Company as at 1 January 2018 for each of the line items affected:

Group 1 January 2018	Balance as at 1 January 2018 as previously reported RM	← Effects of adoption of → MFRS 9 RM	 MFRS 15 RM	Balance as at 1 January 2018, as restated RM
Assets				
Trade receivables	29,246,560	(3,867,989)	(3,620,207)	21,758,364
Inventories	13,739,290	-	2,696,066	16,435,356
Others	58,334,268	-	-	58,334,268
Total assets	101,320,118	(3,867,989)	(924,141)	96,527,988
Liabilities				
Deferred tax liabilities	3,785,416	(45,270)	-	3,740,146
Others	29,134,440	-	-	29,134,440
Total liabilities	32,919,856	(45,270)	-	32,874,586
Equity				
Retained earnings	41,131,835	(3,822,719)	(924,141)	36,384,975
Others	27,268,427	-	-	27,268,427
Total Equity	68,400,262	(3,822,719)	(924,141)	63,653,402
Total equity and liabilities	101,320,118	(3,867,989)	(924,141)	96,527,988

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

(a) New MFRSs adopted during the financial year *cont'd*

The following summarises the impact of adopting MFRS 9 and MFRS 15 on the statements of financial position of the Group and of the Company as at 1 January 2018 for each of the line items affected: *cont'd*

Company	Balance as at 1 January 2018 as previously reported	← Effects of adoption of → MFRS 9	MFRS 15	Balance as at 1 January 2018, as restated
1 January 2018	**RM**	**RM**	**RM**	**RM**
Assets				
Amount owing by a subsidiary	4,111,913	(321,825)	-	3,790,088
Others	58,597,915	-	-	58,597,915
Total assets	62,709,828	(321,825)	-	62,388,003
Total liabilities	23,198	-	-	23,198
Equity				
Retained earnings	(2,741,819)	(321,825)	-	(3,063,644)
Others	65,428,449	-	-	65,428,449
Total Equity	62,686,630	(321,825)	-	62,364,805
Total equity and liabilities	62,709,828	(321,825)	-	62,388,003

(I) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
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36. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs *cont'd*

(a) New MFRSs adopted during the financial year *cont'd*

(I) MFRS 9 *Financial Instruments cont'd*

(i) Classification of financial assets and financial liabilities *cont'd*

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

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

(a) New MFRSs adopted during the financial year *cont'd*

(I) MFRS 9 *Financial Instruments cont'd*

(ii) Impairment of financial assets *cont'd*

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other operating expenses in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and non-trade receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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

(a) New MFRSs adopted during the financial year *cont'd*

(I) MFRS 9 *Financial Instruments cont'd*

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
Group	**Existing under MFRS 139**	**New under MFRS 9**	**Existing under MFRS 139**	**New under MFRS 9**
			RM	**RM**
Financial assets				
Trade receivables	L&R	AC	29,246,560	25,378,571
Other receivables, deposits and prepayments	L&R	AC	3,802,570	3,802,570
Amounts owing by related parties	L&R	AC	733,332	733,332
Cash and bank balances	L&R	AC	20,115,662	20,115,662
Financial liabilities				
Trade payables	OFL	AC	3,925,967	3,925,967
Other payables and accrued expenses	OFL	AC	2,715,794	2,715,794
Amounts owing to related parties	OFL	AC	33,953	33,953
Amounts owing to Directors	OFL	AC	197,715	197,715
Borrowings	OFL	AC	21,718,591	21,718,591
Company				
Financial assets				
Other receivables, deposits and prepayments	L&R	AC	2,000	2,000
Amount owing by a subsidiary	L&R	AC	4,111,913	3,790,088
Cash and bank balances	L&R	AC	10,447,468	10,447,468
Financial liabilities				
Other payables and accrued expenses	OFL	AC	17,098	17,098

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

(a) New MFRSs adopted during the financial year *cont'd*

(II) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 January 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The following summarises the impact of adopting MFRS 15 on the statements of financial position of the Group as at 31 December 2018 and its statements of profit or loss and other comprehensive income for the financial year then ended for each of the line items affected:

(i) Statements of financial position

	Amounts without adoption of MFRS 15	Adjustments	As reported
	RM	RM	RM
Assets			
Inventories	15,929,571	202,986	16,132,557
Trade receivables	23,811,250	(312,900)	23,498,350
Others	56,598,866	-	56,598,866
Total assets	96,339,687	(109,914)	96,229,773
Total liabilities	35,918,993	-	35,918,993
Equity			
Retained earnings	33,011,546	(109,914)	32,901,632
Others	27,409,148	-	27,409,148
Total equity	60,420,694	(109,914)	60,310,780
Total equity and liabilities	96,339,687	(109,914)	96,229,773

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

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

(a) New MFRSs adopted during the financial year *cont'd*

(II) MFRS 15 *Revenue from Contracts with Customers cont'd*

(ii) Statements of profit or loss and other comprehensive income

	Amounts without adoption of MFRS 15	**Adjustments**	**As reported**
	RM	**RM**	**RM**
Revenue	108,956,119	3,307,307	112,263,426
Cost of sales	(93,936,155)	(2,493,080)	(96,429,235)
Others	(14,986,846)	-	(14,986,846)
Profit for the financial year	33,118	814,227	847,345
Total comprehensive income for the financial year	173,839	814,227	988,066

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

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**
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-Term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015- 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015- 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015- 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015- 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards, Amendments and interpretation since the effects would only be observable for future financial years.

ANALYSIS OF SHAREHOLDERS
as at 15 March 2019

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	:	1,249 shareholders

DISTRIBUTION OF SHAREHOLDINGS AS AT 15 MARCH 2019
(as per the Record of Depositors)

Size of Holdings	No. of holders	% of holders	No. of shares held	% of issued shares
1 - 99	4	0.32	100	*
100 - 1,000	88	7.05	47,800	0.02
1,001 - 10,000	520	41.63	3,166,400	1.32
10,001 - 100,000	498	39.87	19,519,800	8.11
100,000 to less than 5% of issued shares	136	10.89	68,870,562	28.62
5% and above issued shares	3	0.24	148,989,134	61.93
Total	**1,249**	**100.0**	**240,593,796**	**100.00**

Note:

* *Negligible*

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2019
(as per Register of Substantial Shareholders)

	Direct		Indirect	
Name of substantial shareholder	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 2019

cont'd

SHAREHOLDINGS OF DIRECTORS AS AT 15 MARCH 2019

(as per Register of Directors' Shareholdings)

	Direct		Indirect	
Name of Directors	**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 2019)

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 *Pledged Securities Account for Sang Ah Weng (E-MLB)*	7,479,075	3.11
5.	Teo Kwee Hock	5,368,000	2.23
6.	Goh Kim Han	2,318,900	0.96
7.	Ooi Lay See	2,000,000	0.83
8.	UOBM Nominees (Tempatan) Sdn Bhd *Exempt An for Areca Capital Sdn Bhd (Client A/C 1)*	2,000,000	0.83
9.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tang Way Keong (E-TMI)*	1,761,000	0.73
10.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chung Keen Mean*	1,650,000	0.69
11.	Chuah Meng Hing	1,604,906	0.67
12.	Chuah Hann Yan	1,477,828	0.61
13.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teo Siew Lai*	1,307,400	0.54
14.	Cartaban Nominees (Tempatan) Sdn Bhd *Exempt An for LGT Bank AG (Local)*	1,000,000	0.42
15.	Cheah Eu Lee	1,000,000	0.42
16.	LNH Holdings Sdn Bhd	1,000,000	0.42
17.	Pichet Nithivasin	1,000,000	0.42

ANALYSIS OF SHAREHOLDERS
as at 15 March 2019
cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS *cont'd*
(as per the Record of Depositors as at 15 March 2019)

No.	Name of Shareholder	No. of shares	% of shares
18.	Saw Khai Phin Holdings Sdn Bhd	1,000,000	0.42
19.	Tan Yuen Man	986,211	0.41
20.	Saw Khai Phin	950,000	0.39
21.	Lee Chu Siong	945,864	0.39
22.	Cheah Siang Gim	919,000	0.38
23.	Mercsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chew Beow Soon*	859,900	0.36
24.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yeo Show Kau (E-TMI)*	859,700	0.36
25.	Ooi Beng Chong	770,000	0.32
26.	Cheah Siang Tee	700,000	0.29
27.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chia Mee Thih*	700,000	0.29
28.	Aishah Chuah Binti Abdullah	648,454	0.27
29.	Chuah Chin Lian	648,424	0.27
30.	Boey Tze Nin	638,000	0.27
	Total	**190,581,796**	**79.21**

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 *(also referred to as Lot 82, Tasek Industrial Estate, Ipoh)*	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/-	923,438
Lot 70070, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan *(also referred to as Lot 90, Tasek Industrial Estate, Ipoh)*	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/-	7,483,642
Lot 70074, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan *(also referred to as Lot 93, Tasek Industrial Estate, Ipoh)*	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/-	1,921,970
Lot 76187, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan *(also referred to as Lot 94, Tasek Industrial Estate, Ipoh)*	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/-	1,400,378

NOTICE OF 4TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of **EVERSAFE RUBBER BERHAD** will be held at Lavender Hall, Kinta Riverfront Hotel & Suites, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on **Wednesday, 15 May 2019** at **11.00 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon. **[Please refer to Explanatory Note 1]**

2. To re-elect the following Directors who retire by rotation pursuant to Clause 127 of the Company's Constitution:-

   i) Mr Cheah Siang Tee **(Ordinary Resolution 1)**
   ii) Mr Eu Ah Seng **(Ordinary Resolution 2)**
   iii) Tuan Haji Mohd Isa bin Talib **(Ordinary Resolution 3)**

3. To approve the payment Directors' fees of RM246,000.00 for the financial year ended 31 December 2018. **(Ordinary Resolution 4)**

4. To approve the Directors' fees of RM246,000 for the financial year ending 31 December 2019. **(Ordinary Resolution 5)**

5. To approve the Directors' benefits of up to RM1,500,000.00 for the period from 1 July 2019 to 30 June 2020. **(Ordinary Resolution 6)**

6. To re-appoint BDO PLT as Auditors of the Company and authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without any modifications the following Ordinary Resolutions:-

7. AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

"THAT, pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the constitution of the Company and the approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being; AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Securities; AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting." **(Ordinary Resolution 8)**

NOTICE OF 4TH ANNUAL GENERAL MEETING
cont'd

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

   "**THAT**, approval be and is hereby given for the Company and/or its subsidiaries to enter into and give effect to 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 15 April 2019 ("**the Circular**"), with the related parties falling within the classes of persons as set out in Section 2.2 of the Circular, provided that such transactions are necessary for the Company and/or its subsidiaries' day-to-day operations and which are carried out in the ordinary course of business at arm's length basis and on terms and transaction prices which are not more favourable 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 ordinary resolution and continue to be in force until:

   (a) the conclusion of the next Annual General Meeting of the Company, at which this shareholders' mandate will lapse, unless by an ordinary resolution passed at the next Annual General Meeting, the mandate is renewed;

   (b) the expiration of the period within which the next Annual General Meeting 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 ordinary 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." **(Ordinary Resolution 9)**

9. 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

CHONG LAY KIM (LS 0008373)
YENG SHI MEI (MAICSA 7059759)
Company Secretaries

Dated this 15 April 2019
Ipoh

NOTICE OF 4TH ANNUAL GENERAL MEETING
cont'd

NOTES:-

1. *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.*

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 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 appointed for holding the meeting or adjourned meeting, as the case may be, at which the person named as proxy in such instrument proposed to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid .*

7. *For the purpose of determining a member who shall be entitled to attend the Fourth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd to issue a General Meeting Record of Depositors ("ROD") as at 8 May 2019. 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:

1. ***Agenda item no. 1***

   *This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting***

2. ***Proposed Ordinary Resolutions 1, 2 and 3***

   Mr Cheah Siang Tee, Mr Eu Ah Seng and Tuan Haji Mohd Isa bin Talib are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Fourth Annual General Meeting.

   The Board of Directors ("the Board") has through the Nomination Committee, considered the assessment of the Directors and collectively agreed that they meet the criteria prescribed by Rule 2.20A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time to effectively discharge their role as Directors.

3. ***Proposed Ordinary Resolution 4***

   The Directors' Fees proposed for the financial year ended 31 December 2018 are calculated based on the Board size and in accordance to the Company's policy and guidelines.

4. ***Proposed Ordinary Resolution 5***

   The Directors' Fees proposed for the financial year ending 31 December 2019 are calculated based on the Board size and in accordance to the Company's policy and guidelines.

5. ***Proposed Ordinary Resolution 6***

   This Ordinary Resolution is to facilitate payment of Directors' benefits on Directors' and Officers' insurance for the period from 1 July 2019 until 30 June 2020. In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size etc.), approval will be sought for the shortfall at the next Annual General Meeting of the Company to be held in 2020.

NOTICE OF 4TH ANNUAL GENERAL MEETING
cont'd

6. ***Proposed Ordinary Resolution 7***

The Board has through the Audit Committee, considered the re-appointment of BDO PLT as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the Fourth Annual General Meeting are disclosed in the Corporate Governance Overview Statement of the Annual Report 2018.

On 2 January 2019, BDO PLT had converted its legal entity status from conventional partnership pursuant to Partnership Act 1961 to limited liability partnership pursuant to Section 29 of the Limited Liability Partnerships Act 2012 ("LLP Act") ("Conversion"). Accordingly, BDO had been registered in the name of BDO PLT. PLT is an abbreviation of "Perkongsian Liability Terhad", which means limited liability partnership. Following the Conversion, the Partners of BDO serving the Company and its subsidiaries ("Group") remain unchanged.

Pursuant to Section 36 of the LLP Act, the agreements already made by the Group with BDO shall continue to be in force as if BDO PLT were a party to the agreements. Hence, all engagement letters signed between the Group and BDO before the Conversion shall remain in force until they are superseded or amended.

7. ***Proposed Ordinary Resolution 8***

This proposed Ordinary Resolution is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will give the Directors of the Company, from the date of the Fourth Annual General Meeting, authority to allot shares in the Company up to and not exceed10% of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The renewal of the 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 activities, 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 or such other application as the Directors may deem fit and in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Third Annual General Meeting held on 18 May 2018 and the mandate will lapse at the conclusion of the Fourth Annual General Meeting.

8. ***Proposed Ordinary Resolution 9***

The proposed Ordinary Resolution 9 is to seek Shareholders' Mandate to allow the Company and/or its subsidiaries to renew its existing mandate to enter into recurrent related party transactions, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms and transaction prices which are not more favorable to the related parties than those generally available to the public and are not detrimental to the minority shareholders. The mandate will take effect from the date of the passing of the Ordinary Resolution until the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting 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), unless it is revoke or varied by ordinary resolution passed by the shareholders in a general meeting, whichever is the earlier.

For further information, please refer to the Circular to Shareholders dated 15 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018.

STATEMENT ACCOMPANYING
NOTICE OF FOURTH ANNUAL GENERAL MEETING

As at date of this notice, there are no individuals who standing for election as Directors (excluding the above Directors who are standing for re-election) at this Fourth Annual General Meeting.

Form of Proxy

CDS Account No.	No. of Shares Held

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

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

NRIC No./Company No. ____________________ Tel No. ____________________

of ______________________________

being a Member(s) of EVERSAFE RUBBER BERHAD, hereby appoint:

Full Name (in Block as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or* (*delete as appropriate)

Full Name (in Block as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Fourth Annual General Meeting of the Company to be held at Lavender Hall, Kinta Riverfront Hotel & Suites, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on Wednesday, 15 May 2019 at 11.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

ORDINARY RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1 –	Re-election of Mr Cheah Siang Tee as Director		
Ordinary Resolution 2 –	Re-election of Mr Eu Ah Seng as Director		
Ordinary Resolution 3 –	Re-election of Tuan Haji Mohd Isa bin Talib as Director		
Ordinary Resolution 4 –	Approval of Directors' fees for the financial year ended 31 December 2018		
Ordinary Resolution 5 –	Approval of Directors' fees for the financial year ending 31 December 2019		
Ordinary Resolution 6 –	Approval of Directors' benefits of for the period from 1 July 2019 to 30 June 2020		
Ordinary Resolution 7 –	Re-appointment of BDO PLT as Auditors		
Ordinary Resolution 8 –	Authority for Directors to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Ordinary Resolution 9 –	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

Dated this ________ day of ____________________ 2019.

____
Signature/ Common Seal of Shareholder(s)

NOTES:-

1. *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.*
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 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 appointed for holding the meeting or adjourned meeting, as the case may be, at which the person named as proxy in such instrument proposed to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid .*
7. *For the purpose of determining a member who shall be entitled to attend the Fourth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd to issue a General Meeting Record of Depositors ("ROD") as at 8 May 2019. 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*

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AFFIX
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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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www.eversafe.com.my

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(1133877-V)

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