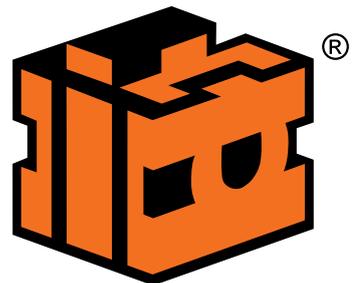
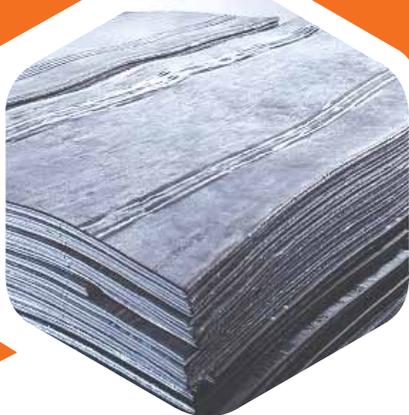


ANNUAL REPORT

20  
19



**EVERSAFE RUBBER BERHAD**

[201501008542 (1133877-V)]



**EVERSAFE RUBBER**

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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 (SSM PC No.  
202008001920) ((LS 0008373)

Yeng Shi Mei (SSM PC No.  
202008001282) (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, Lebuhr Portland  
Tasek Industrial Estate  
31400 Ipoh  
Perak  
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-  
LCA&AF0206)  
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  
Malaysia

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

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

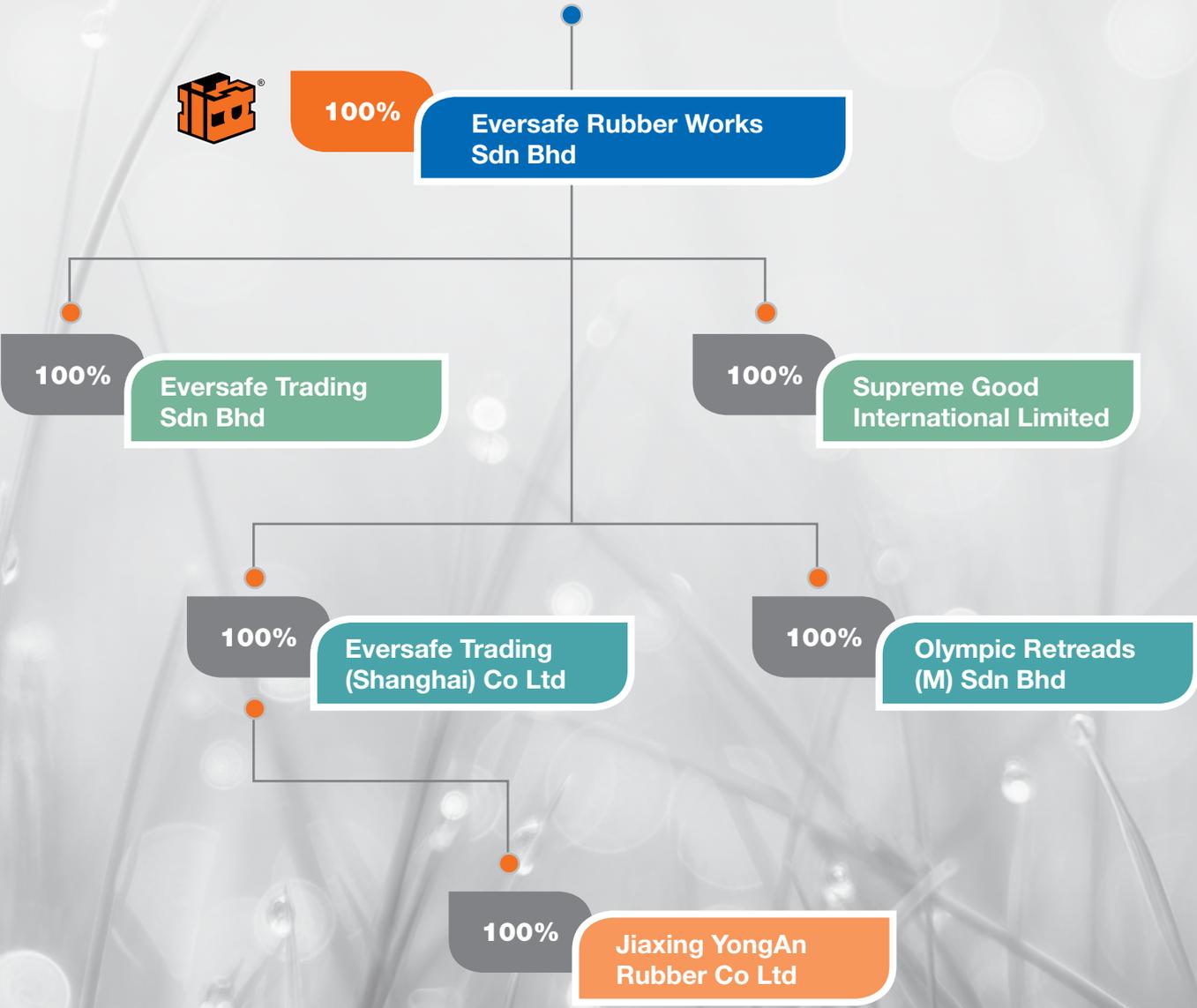
ACE Market of Bursa Securities  
Berhad  
Stock Code: 0190  
Stock Name: ESAFE

# CORPORATE STRUCTURE



## EVERSAFE RUBBER

[201501008542 (1133877-V)]  
(Incorporated in Malaysia  
under the Companies Act, 1965)



# GROUP

## FINANCIAL HIGHLIGHTS

Group	Financial year ended			
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Revenue	116,614	112,263	90,773	74,740
Gross profit ("GP")	18,457	15,834	16,609	19,156
Profit before taxation ("PBT")	1,993	1,344	1,197	10,541
Profit after tax ("PAT") / Profit attributable to the owners of Company	1,622	847	431	8,013
Earnings before interests, taxes, depreciation and amortisation	9,753	6,196	5,943	14,520
Total equity attributable to owners of the Company	61,716	60,311	68,400	55,555
Earnings per share <sup>(1)</sup> (sen)	0.7	0.4	0.2	3.3
Dividends per share <sup>(1)</sup> (sen)	-	1.8	1.8	-
Net assets ("NA") per share <sup>(1)</sup> (sen)	25.6	25.1	28.4	23.1
GP margin <sup>(2)</sup> (%)	15.8	14.1	18.3	25.6
Net profit margin <sup>(3)</sup> (%)	1.4	0.8	0.5	10.7
Return on equity attributable to owners of Company <sup>(4)</sup> (%)	2.6	1.4	0.6	14.4
Return on total assets <sup>(5)</sup> (%)	1.5	0.9	0.4	9.6

### 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

**CHEAH EU LEE**

*(Non-Independent  
Non-Executive Director)*

**NG MENG KWAI**

*(Senior Independent  
Non-Executive Director)*

**CHEAH SIANG TEE**

*(Chief Executive Officer/  
Executive Director)*

**ONG BEOW CHIEH**

*(Independent Non-Executive Director)*

**HAJI MOHD ISA BIN  
HAJI TALIB**

*(Independent Non-Executive Director)*



**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	Nationality	Gender
76	Malaysian	Male

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

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

He started his career as a medical doctor, serving as a medical officer for the Malaysian government until 1972, before starting his own private practice. In 1978, Tan Sri Dato' Dr. Sak was elected as the state assemblyman under Barisan Nasional for the seat of Bagan Jermal in Penang. He was elected as the state assemblyman for 5 terms (from 1978 to 1990 and from 1995 to 2004). He also served as a

senator and parliamentary secretary of the Ministry of Domestic Trade and Consumer Affairs from 1990 to 1995. He was also an independent non-executive director of Star Publications (Malaysia) Berhad from 2001 until 2010 and the independent non-executive chairman of XingHe Holdings Berhad from 2013 until 2016.

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

Apart from being our Independent Non-Executive Chairman, he is also an Independent Non-Executive Director of HIL Industries Berhad since 2007. He is also appointed to the board of directors of several private corporations in Malaysia.



**DATO' SERI CHEAH EU KIAT  
("DATO' SERI CHEAH")**

*Executive Director*

Aged	Nationality	Gender
70	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.

Dato' Seri Cheah took part in assisting in the family business after he graduated from Chung Ling High School in 1968. 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").

As the founder of the Company, Dato' Seri Cheah is the driving force of the Company with his 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.



**EU AH SENG**

*Executive Director*

Aged	Nationality	Gender
78	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	Nationality	Gender
44	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 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



### CHEAH EU LEE

*Non-Independent  
Non-Executive Director*

Aged	Nationality	Gender
62	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	Nationality	Gender
68	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 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.



**HAJI MOHD ISA BIN  
HAJI TALIB**

*Independent Non-Executive Director*

Aged	Nationality	Gender
77	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	Nationality	Gender
48	Malaysian	Female

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

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

After graduating, Ms. Ong began her pupillage with Messrs. Presgrave & Matthews of Penang in 1996. Since then, she was admitted as an advocate and solicitor of the High Court of Malaya in 1997 and

made partner of the firm in 2002, a position she currently still holds. She specialises in banking, conveyancing and intellectual property. She is also a trademark and industrial design agent registered under the Intellectual Property Corporation in Malaysia.

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

## PROFILE OF DIRECTORS

### 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 2019.
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 70, 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 54, is our Group Finance Manager. She oversees the overall finance and treasury functions within our Group, including the preparation of financial statements and liaising with the auditors, tax agents, lawyers and bankers.

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

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

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

## LEE CHEE KONG

*General Manager – Sales & Marketing*

Mr. Lee Chee Kong, Malaysian, male, aged 56, is our General Sales & 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.

## PROFILE OF KEY SENIOR MANAGEMENT

### EU HONG LIM

*Export Sales Manager*

Mr. Eu Hong Lim, Malaysian, male, aged 43, 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.

### ANUAR BIN ATAN

*General Manager – Production*

Anuar bin Atan, Malaysian, male, aged 57, is our General 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 2019.
2. None of the key senior management have any conflicts of interest with the Company.
3. Save as disclosed on page 10 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 privileged to present to you the Annual Report and audited financial statements for the financial year ended (“**FYE**”) 31 December 2019.

### HIGHLIGHT

The FYE 31 December 2019 was another intriguing year for the Company as we embarked on more expansion strategies as outlined in our annual strategic business plan. For a start, we expanded our foothold in the European region with successful penetration into Italy, an achievement we are truly proud of as we continue to reach new customer base. On top of that, we have also completed the upgrade of our manufacturing facilities with automation and power assistance which allows us to utilise our labour force more efficiently while simultaneously maximising our production capacity and capabilities.

We are always seeking for opportunities to increase our market share and for the financial year under review, we have successfully achieved this through the development of new Off-the-Road treads products namely OTR tread linear. These products, which are currently available in the market, offer many different tread patterns and varying tread depths which all offer specific benefits for different kinds of applications and machinery.

### PERFORMANCE REVIEW

For the Financial Year Ended 31 December 2019, our Group recorded a revenue of RM116.61 million, which translates into an increase of RM4.35 million or 3.88% as compared to the preceding financial year. The increase in revenue was mainly due to the increase in sales of tyre retreading materials.

At the same time, our Group also generated a Profit Before Tax (PBT) of RM1.99 million, an increase of RM0.65 million or 48.28% from the previous financial year. The marginal increase was attributed to a combination of improved sales and higher gross profit margin.

# CHAIRMAN'S STATEMENT

## PROSPECTS

Eversafe Rubber's success comes from us having a disciplined, effective and productive team. We have clear, long-term strategies, which in turn drive specific priorities for each year. These strategies are communicated to every employee to encourage, inspire and commit them to work harder as we aim to realise our goal of achieving sustained growth.

The industry we serve is always undergoing rapid changes and developments which demand new products and solutions. Keeping pace with these changes and striving to provide new products and solutions will enable us to increase our export sales and subsequently to expand into key markets outside the ASEAN region. To date, we have explored opportunities in the United States of America and we are optimistic of growing more clientele in the years to come. We reported in the Financial Year 31 December 2018 the intention to establish a tyre retreading business in South America through a joint venture; however, the project did not progress as planned and did not materialise.

On top of this, we have successfully completed the upgrading works of our manufacturing facilities; the upgrades involved increased automation and power assistance which will allow us to maximise our production capacity and capabilities which thereby giving us tremendous opportunities to grow.

The Company has taken cognisance of the effects and challenges of Covid-19 pandemic on global business and has taken necessary measures to comply with all the procedures required by all relevant authorities, to ensure that production and business will proceed optimally.

## 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'S 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 Jiaying 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 2 locations, namely Ipoh, Perak 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 26 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.

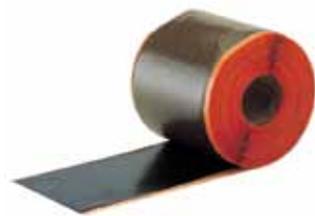
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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.

## BUSINESS DEVELOPMENTS

Despite the challenging market and economic condition, the year 2019 was a year of growth for the Group. For a start, we successfully expanded our geographical presence in the European region with our successful foray into Italy, simultaneously reaching a new customer base and advancing another step in our vision of cementing our foothold in the region. Our vision to increase our market share and presence continued with the triumphant development of our new Off-the-Road treads products aptly named OTR tread liner. These products offer our customers a variety of tread patterns and tread depths which all offer specific benefits for a host of applications and machinery.

In line with our vision to conquer more market share with superior products, we had taken measures to improve production efficiency and capacity. As such, in 2019, we had completed the upgrade of our manufacturing facilities with automation and power assistance which allows us to utilise our labour force more efficiently while simultaneously maximising our production capacity and capabilities.

## 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 2018 and 2019:

	FYE 31 December 2019 RM'000	FYE 31 December 2018 RM'000
Revenue	116,614	112,263
Gross profit ("GP")	18,457	15,834
Profit before taxation ("PBT")	1,993	1,344
Profit after taxation ("PAT")	1,622	847
Net assets ("NA")	61,716	60,311
Total assets	107,702	96,230
Borrowings	25,978	23,597
Hire purchase with financial institutions	1,110	-
Gearing (times)	0.4	0.4
Earnings per share <sup>(1)</sup> (sen)	0.7	0.4
Dividend per share (RM)	-	1.8
NA per share <sup>(1)</sup> (sen)	25.6	25.1

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Note:

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

For the financial year under review, our Group's revenue increased to RM116.6 million from RM112.3 million in the FYE 31 December 2018, representing an increase of RM4.4 million or 3.9%. The increase in our Group's revenue was mainly attributable to the increase in the sales of tyre retreading materials 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 contributed 32.5% to the Group's total revenue or RM37.9 million as compared to RM29.1 million in FYE 31 December 2018, making it the largest contributor. Further analysis of our Group's revenue for the FYE 31 December 2018 and 2019 by geographical locations is illustrated below:

	FYE 31 December 2019 RM'000	FYE 31 December 2018 RM'000
Malaysia	33,927	38,257
South East Asia (excluding Malaysia)	37,863	29,062
East Asia and Oceania	33,715	26,949
South Asia, Middle East and Africa	5,485	9,396
Americas	1,049	4,187
Europe	4,575	4,411
Overseas sub-total	82,687	74,006
<b>Total</b>	<b>116,614</b>	<b>112,263</b>

Meanwhile, our Group's GP also recorded an increase of RM2.6 million or 16.6% to RM18.5 million from RM15.8 million in FYE 31 December 2018. The substantial increase in GP was due to the gain from higher gross profit margin as a result of the overall decrease in cost of raw materials.

At the same time, our Group's PBT had increased by RM0.6 million or 48.3% for the financial year under review from RM1.3 million in the previous financial year to RM2.0 million for the FYE 31 December 2019. The increase in our Group's PBT was mainly attributable to improved sales and higher gross profit margin.

As at 31 December 2019, our Group's total assets had increased to RM107.7 million as compared to RM96.2 million as at 31 December 2018. Our Group's total assets had recorded an increase due to the increase in cash and bank balances and placement in funds and property, plant and equipment of RM6.1 million and RM4.3 million respectively as at 31 December 2019.

During the year, the borrowings and hire purchase with financial institutions used for our Group's operations had increased by RM3.5 million from RM23.6 million as at 31 December 2018 to RM27.1 million as at 31 December 2019. Notwithstanding the increase in borrowings, the management is of the opinion that based on the gearing of 0.4 times as at 31 December 2019, the debt levels of our Group remains manageable. As a result, our Group's net assets had increased from RM60.3 million as at 31 December 2018 to RM61.7 million as at 31 December 2019.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of our Group's cash flow position for the FYE 31 December 2018 and 2019 is illustrated below:

	FYE 31 December 2019 RM'000	FYE 31 December 2018 RM'000
Net cash generated from operating activities	9,379	5,815
Net cash used in investing activities	(408)	(8,787)
Net cash used in financing activities	(1,527)	(4,738)
Net increase/(decrease) in cash and cash equivalents	7,443	(7,709)
Cash and cash equivalent at the beginning of the year	5,902	13,617
Cash and cash equivalent at the end of the year	13,335	5,902

During the financial year under review, our Group was in a positive net cash position for its operating activities of RM9.4 million. This was mainly due to the lower trade and other receivables and high depreciation expense incurred during the financial year under review. The decrease in our Group's net cash used in investing activities for the financial year under review was due to decrease in purchase of property, plant and equipment. Our Group's net cash from financing activities of RM1.5 million for the FYE 31 December 2019 was mainly attributable to the repayment of hire purchase and lease liabilities. This has resulted in a net increase of our cash and cash equivalents for the financial year under review of RM7.4 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 as at FYE 31 December 2018 and 2019 is illustrated below:

	FYE 31 December 2019 RM'000	FYE 31 December 2018 RM'000
<b>Current Assets</b>		
Inventories	18,419	16,132
Trade receivables	22,496	21,975
Other receivables, deposits and prepayments	1,778	2,888
Amounts owing by related parties	489	800
Current tax assets	497	517
Placement in funds	7,206	5,020
Cash and bank balances	12,049	8,100
<b>Total current assets</b>	<b>62,934</b>	<b>55,432</b>
<b>Current Liabilities</b>		
Trade payables	6,165	5,244
Other payables and accrued expenses	2,960	2,833
Amounts owing to related parties	41	41
Amounts owing to Directors	114	253
Borrowings	22,096	22,493
Hire purchase and lease liabilities	1,892	-
<b>Total current liabilities</b>	<b>33,268</b>	<b>30,864</b>
<b>Net Current Assets</b>	<b>29,666</b>	<b>24,568</b>

Our Group's net current assets position as at FYE 31 December 2019 had increased from RM24.6 million as at 31 December 2018 to RM29.7 million, representing an increase of RM5.1 million or 20.8%. This increase was due to the increase in cash and bank balances as mentioned above. 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 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

### PROSPECTS AND OUTLOOK

As the world is rocked by the Covid-19 pandemic outbreak, economies around the world experienced a slowdown including Malaysia as countries go into lockdown, with Malaysia imposing a Movement Control Order (MCO). The MCO saw the temporary closure of non-essential businesses for approximately more than a month from mid-March until early-May 2020 and subsequently followed by a Conditional Movement Control Order (CMCO) which took effect from early-May 2020 until early-June 2020 and recently announced Recovery Movement Control Order (RMCO) from early June 2020 until end of August 2020. This is expected to adversely impact the local economy for the first half of 2020 and by extension, our operations and our financial performance. .

The Group's plans for the Financial Year Ending 31 December 2020 include to further increase its export sales and tap into various overseas market primarily outside the ASEAN region. However, with the recent virus outbreak, we will take a cautious approach in our expansion plans as the global market sentiment is expected to remain soft. Nevertheless, we are hopeful that the mitigating measures that we have implemented to address these issues will allow us to penetrate into new export markets for the rubber compounds segment.

On top of this, we will also be focusing on organic growth especially with the successful completion of upgrading work of our manufacturing facilities. The upgrading work which involved increased automation and power assistance is expected to maximise our production capacity and capabilities which is pivotal as we continue to capture tremendous opportunities to grow.

# 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 2019 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 particular, 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

## 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 2020 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 2019 was RM14,310.

## 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 2019. 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**

## **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 18 June 2020.

# 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 2019. 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](http://www.eversafe.com.my).

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met 5 times during the financial year ended 31 December 2019 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 2019 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.

### 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 to be dated 30 June 2020 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 30 June 2020 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.

# AUDIT COMMITTEE REPORT

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONTINUED)

### 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 2019, 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 18 June 2020.

# 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 2019. 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](http://www.eversafe.com.my).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 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  
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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 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

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 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](http://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:

- consider candidates from a wide range of backgrounds and skills as considered appropriate;
- 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 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

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.

2019	Company		Subsidiaries		Benefits -in-kind RM'000	Others RM'000	Total RM'000
	Fees RM'000	Fees RM'000	Salary RM'000	Bonus RM'000			
<b>Executive Directors</b>							
Dato' Seri Cheah Eu Kiat	30	35	213	28	28	34	368
Eu Ah Seng	30	15	177	15	17	36	290
Cheah Siang Tee	30	35	365	35	26	72	563
<b>Non-Executive Directors</b>							
Tan Sri Dato' Dr. Sak Cheng Lum	30	-	-	-	-	-	30
Cheah Eu Lee	30	30	-	10	-	-	70
Haji Mohd Isa Bin Haji Talib	30	-	-	-	-	-	30
Ng Meng Kwai	36	-	-	-	-	-	36
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.

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 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.

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 4 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 2019, with details of Directors' attendance set out below:

Name	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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 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.

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 2019 are as follows:

Name of Director	Conferences, Seminars and/or Training
Tan Sri Dato' Dr. Sak Cheng Lum	Operational Efficiency and Improvements for Eversafe Rubber Works Sdn Bhd (Eversafe Rubber Berhad in-house training)
Dato' Seri Cheah Eu Kiat	Operational Efficiency and Improvements for Eversafe Rubber Works Sdn Bhd (Eversafe Rubber Berhad in-house training)
Eu Ah Seng	Operational Efficiency and Improvements for Eversafe Rubber Works Sdn Bhd (Eversafe Rubber Berhad in-house training)
Cheah Siang Tee	<ul style="list-style-type: none"> <li>• Operational Efficiency and Improvements for Eversafe Rubber Works Sdn Bhd (Eversafe Rubber Berhad in-house training)</li> <li>• 64th. Annual Off-The-Road (OTR) Conference</li> </ul>
Cheah Eu Lee	Operational Efficiency and Improvements for Eversafe Rubber Works Sdn Bhd (Eversafe Rubber Berhad in-house training)
Ng Meng Kwai	<ul style="list-style-type: none"> <li>• Tax Agent Licence &amp; Post Licensing Issues</li> <li>• Performing Group Audits and What's New in International Standard on Auditing (ISA) 600</li> <li>• Application of IFRS/MFRS from a Management Perspective</li> <li>• 2020 Budget Seminar</li> <li>• Operational Efficiency and Improvements for Eversafe Rubber Works Sdn Bhd (Eversafe Rubber Berhad in-house training)</li> </ul>
Haji Mohd Isa Bin Haji Talib	Operational Efficiency and Improvements for Eversafe Rubber Works Sdn Bhd (Eversafe Rubber Berhad in-house training)
Ong Beow Chieh	<ul style="list-style-type: none"> <li>• Trademark Seminar: Industry Seminar &amp; Forum on the Trademarks Bill 2019</li> <li>• Joint National AML/CFT Conference 2019</li> <li>• Operational Efficiency and Improvements for Eversafe Rubber Works Sdn Bhd (Eversafe Rubber Berhad in-house training)</li> </ul>

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

### 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 pages 24 to 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.

# CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

## **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)**

### **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 18 June 2020.

# CORPORATE SUSTAINABILITY STATEMENT

At Eversafe Rubber Berhad (“Eversafe Rubber” or our “Company”) and its subsidiaries (“Group”), creating shared value is at the heart of our organisational culture and is a fundamental guiding principle in how we do business.

Over the past years, we have continued executing our enterprise strategy to achieve long-term profitable growth – supporting our customers, rewarding our shareholders and providing opportunities for our employees and the communities where we live and operate. In line with the purpose of enhancing quality of life and contributing to a healthier future through the creation of value for both our stakeholders and for the society at large, our Group has undertaken several initiatives to not only drive growth but also furthering our sustainability journey.

## ENVIRONMENTAL ASPECTS

We are committed to environmentally sustainable business practices and strive to use natural resources efficiently, minimise our environmental footprint, including conserving energy and water, reducing greenhouse gas (“GHG”) emissions, reducing the amount of waste we send to landfills, and using sustainably managed renewable resources. As such, we constantly review and monitor our operations to ensure that we make positive contribution to the environment. One such initiative that we have undertaken is to ensure emissions and waste from our production facilities are within the permitted thresholds. In addition to this, our Group is in the business of the production of retreaded tyres which is a form of recycling used tyres and our manufacturing processes also allows for excess material to be reused in the production of our Group’s products.

The emission of GHG such as carbon dioxide is also a point of concern for us especially on the corporate level as we engage in extensive traveling activity. In order to mitigate the effects of GHG emission, we have begun monitoring our traveling activity as well as investing in measures that favour resource conservation. For example, modern communication infrastructure such as video and teleconference equipment which provides more convenience for our teams who are based in different geographical locations to meet without travelling. Other measures include reduced paper consumption, reduced power consumption and use of more environmentally friendly batteries, lights and cleaning detergents. Further to this, we are also planning to install solar panels at our factory as one of the measures to reduce operating costs while simultaneously preserving the environment.

## HUMAN RESOURCE ASPECTS

Safety is a fundamental part of our work culture. At all our production and manufacturing sites, we implement mandatory health and safety policies with the aim to achieve zero work-related injuries and illnesses. On top of this, necessary tools and protective gear are also provided to our employees to ensure that they are adequately protected which reduces the risk of harm or injury. We conduct constant reviews of our workplace and policies in order to ensure a safe and conducive working environment.

Moving closer to the heart of our Company, we believe that our success is the success of our employees. They are our strongest asset and the Company’s achievements are a result of their engagement and commitment. Providing good working conditions and keeping our people safe, healthy and engaged are always our top priorities.

In our fast-paced industry, it is important to maintain the skills base of all employees and ensure they have every opportunity to develop their careers if they so wish. In this regard, we conduct seminars and workshops that are open to employees across-the-board. Our seminars and workshops are designed to enhance personal performance and to help achieve our business goals. These programmes are constantly revised and improved to meet the business needs of our Group.

Not only that, in order to further drive employee performance and development, we also provide them with support through coaching, feedback and recognition in the form of financial benefits or career opportunities, aligned with the employees’ aspirations and needs of the Company.

# CORPORATE SUSTAINABILITY STATEMENT

## **SOCIAL ASPECTS**

Driven by the Group's purpose to enhance quality of life of our people and the communities surrounding us, we continue our support of the community through several measures. For a start, we have contributed to several charitable organisations such as Pertubuhan Pengurusan Rumah Anak-anak Yatim Dan Miskin "Anning" Ipoh through donations. Not only that, our employees had also paid visits to several organisations to contribute their energy and resources.

Aside from these, we also recognise our possibilities for making a positive difference in the society by providing employment opportunities and subsequent skills development. To that effect, we have been hiring people from local communities to address the unemployment issue and its effects. In addition to this, we have also equipped them with the skills required for the workplace, provided them with good working conditions, instilled respect for labour practices and human right to create a safe and healthy work environment.

## **MARKETPLACE ASPECTS**

We have a vast network of stakeholders, whose opinions we value deeply. Our stakeholder network ranges from people we engage with regularly through our operations to those in public positions who influence our activities. They range from employees, consumers, suppliers and communities to governments, non-governmental organisations, shareholders as well as industry and trade associations.

As we interact with diverse organisations and representatives, we acknowledge the importance of conducting business fairly, impartially and in full compliance with all laws and regulations. Bearing this in mind, all of our business relationships and transactions are underlined with honesty and integrity, values that are ingrained in all our employees from the beginning. To further emphasise on the importance of these values, we have established an employees' Code of Conduct which promote ethics, honesty and professionalism within the Company, and amongst our employees. A Whistleblowing Policy has also been established to provide employees 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 successfully raised gross proceeds of RM17.28 million from the issuance of 48,000,000 new ordinary shares in the Company at an issue price of RM0.36 per share. The status of the utilisation of proceeds raised as at 31 December 2019 are as follows:

Details of Utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	<sup>(1)</sup> Deviation RM'000	Balance unutilised RM'000	Estimated time frame for utilisation
New manufacturing lines and enhanced automation systems	12,580	(12,873) <sup>(2)</sup>	293	–	Within 24 months
Establish intellectual property rights and overseas branding initiative	1,500	(776)	(724)	–	Within 36 months
Estimated listing expenses	3,200	(2,907)	(293)	–	Immediate
<b>Total</b>	<b>17,280</b>	<b>(16,556)</b>	<b>(724)<sup>(3)</sup></b>	<b>–</b>	

#### 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.
- (3) The unutilised balance of RM0.724 million has been transferred to the working capital of the Company.

### 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	42	102	12	3
Non-audit fees - Fees for other services	–	4	–	4
<b>Total</b>	<b>42</b>	<b>106</b>	<b>12</b>	<b>7</b>

The paid amounts above are in relation to the fees incurred for the FYE 31 December 2019 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.

## ADDITIONAL COMPLIANCE **INFORMATION**

### **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**

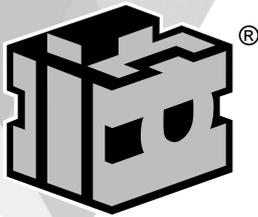
The Directors are fully accountable for ensuring that the financial statements are drawn up in accordance with the requirements of the Companies Act 2016 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial 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 2019, 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 18 June 2020.



**EVERSAFE RUBBER**

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# DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## 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

	<b>Group RM</b>	<b>Company RM</b>
Profit/(Loss) for the financial year, attributable to owners of the parent	1,622,120	(473,363)

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## DIVIDEND

No dividend has been proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any payment of the 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.

## 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

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 2019 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 1.1.2019	Bought	Sold	Balance as at 31.12.2019
<b>Shares in the Company</b>				
<u>Direct interests:</u>				
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
<u>Indirect interests:</u>				
Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.	116,893,546	-	-	116,893,546 <sup>(1)</sup>

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

# DIRECTORS' REPORT

## **DIRECTORS' INTERESTS (CONTINUED)**

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' 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 34 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 30 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 there are no known bad debts to be 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.

### (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 necessitate the writing off of bad debts or render 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 other than those disclosed in Note 39 to the financial statements 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.

# DIRECTORS' REPORT

## SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 39 to the financial statements.

## 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 2019 are disclosed in Note 29 to the financial statements.

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

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

Director

**Cheah Siang Tee**

Director

Penang  
18 June 2020

# STATEMENT BY **DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 52 to 107 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 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

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

**Cheah Siang Tee**  
Director

Penang  
18 June 2020

## 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 52 to 107 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 18 June 2020        )

**Cheah Siang Tee**

Before me,

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVERS SAFE 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 2019 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 52 to 107.

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 2019, 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.

### Group

#### a) Impairment of trade receivables

Gross trade receivables of the Group as at 31 December 2019 were RM28,688,677 and the associated impairment losses of trade receivables were RM5,023,340 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.

**Key Audit Matters (continued)**

**a) Impairment of trade receivables (continued)**

***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 underlying the relationship between the forward-looking information and expected credit losses.

**Company**

**a) Impairment assessment of cost of investment in a subsidiary**

As at 31 December 2019, investment in a subsidiary of the Company was RM53,633,995 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 the 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 assessed and evaluated the key assumptions in projections to available external industry sources of data, where applicable;
- (iii) verified budgeted operating profit margin, growth rates and terminal value by assessing evidence available to support these key assumptions;
- (iv) assessed the reasonableness of pre-tax discount rate used for the subsidiary by comparing to the weighted average cost of capital of the Group and relevant risk factors; and
- (v) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVERS SAFE RUBBER BERHAD

## 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.

## 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.

# INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF EVERSAFE RUBBER BERHAD

## **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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 (continued):

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

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

## **Other Matters**

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

**BDO PLT**  
LLP0018825-LCA & AF 0206  
Chartered Accountants

Kuala Lumpur  
18 June 2020

**Law Kian Huat**  
02855/06/2020 J  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	43,599,368	39,274,465	4,200	5,250
Intangible asset	6	1	1	–	–
Investment in a subsidiary	7	–	–	53,633,995	54,328,447
Trade receivables	9	1,169,489	1,523,574	–	–
Amount owing by a subsidiary	11	–	–	4,475,767	6,403,050
		44,768,858	40,798,040	58,113,962	60,736,747
<b>Current assets</b>					
Inventories	8	18,419,090	16,132,557	–	–
Trade receivables	9	22,495,848	21,974,776	–	–
Other receivables, deposits and prepayments	10	1,778,037	2,887,560	2,115	13,512
Amounts owing by related parties	12	489,234	800,379	–	–
Current tax assets		496,622	516,616	12,750	–
Placement in funds	13	7,206,355	5,020,000	7,206,355	5,020,000
Cash and bank balances	13	12,048,315	8,099,845	4,691	52,773
		62,933,501	55,431,733	7,225,911	5,086,285
<b>TOTAL ASSETS</b>		107,702,359	96,229,773	65,339,873	65,823,032
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	14	65,428,449	65,428,449	65,428,449	65,428,449
Reserves	15	(3,711,997)	(5,117,669)	(115,344)	358,019
<b>TOTAL EQUITY</b>		61,716,452	60,310,780	65,313,105	65,786,468

**STATEMENTS OF  
FINANCIAL POSITION**  
AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	16	4,129,299	3,950,874	–	–
Borrowings	17	3,881,954	1,103,941	–	–
Hire purchase and lease liabilities	21	4,706,853	–	–	–
		12,718,106	5,054,815	–	–
<b>Current liabilities</b>					
Trade payables	22	6,164,630	5,244,072	–	–
Other payables and accrued expenses	23	2,960,418	2,832,662	26,768	32,666
Amounts owing to related parties	24	41,321	41,361	–	–
Amounts owing to Directors	25	114,116	253,309	–	–
Borrowings	17	22,095,781	22,492,774	–	–
Hire purchase and lease liabilities	21	1,891,535	–	–	–
Current tax liabilities		–	–	–	3,898
		33,267,801	30,864,178	26,768	36,564
<b>TOTAL LIABILITIES</b>		45,985,907	35,918,993	26,768	36,564
<b>TOTAL EQUITY AND LIABILITIES</b>		107,702,359	96,229,773	65,339,873	65,823,032

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 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	26	116,613,906	112,263,426	–	8,245,775
Cost of sales		(98,156,914)	(96,429,235)	–	–
Gross profit		18,456,992	15,834,191	–	8,245,775
Other operating income		744,705	1,098,193	–	18,978
Distribution costs		(7,787,394)	(6,383,143)	–	–
Administrative expenses		(7,485,292)	(7,585,385)	(536,764)	(753,153)
Other operating expenses		(603,100)	(1,166,412)	(121,735)	–
Profit/(Loss) from operations		3,325,911	1,797,444	(658,499)	7,511,600
Finance income	28	384,678	516,301	187,052	280,612
Finance costs	28	(1,717,576)	(969,676)	–	–
Profit/(Loss) before tax	29	1,993,013	1,344,069	(471,447)	7,792,212
Tax expense	31	(370,893)	(496,724)	(1,916)	(39,861)
Profit/(Loss) for the financial year, attributable to owners of the parent		1,622,120	847,345	(473,363)	7,752,351
<i>Other comprehensive income:</i>					
Item that may be subsequently reclassified to profit or loss:					
Foreign currency translations, net of tax		24,000	140,721	–	–
Total comprehensive income attributable to owners of the parent		1,646,120	988,066	(473,363)	7,752,351
Earnings per ordinary share attributable to equity holders of the Company (sen):					
- Basic and diluted	32	0.67	0.35		

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

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	← Non-distributable →				→ Distributable	Total equity RM
		Share capital RM	Capital reserve RM	Foreign currency translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	
Balance as at 1 January 2018		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
<b>Transaction with owners:</b>							
Dividend paid	33	-	-	-	-	(4,330,688)	(4,330,688)
Total transaction 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
Balance as at 1 January 2019, as previously reported		65,428,449	7,104	(1,111,447)	(36,914,958)	32,901,632	60,310,780
Effect of adoption of: MFRS 16	40(a)	-	-	-	-	(240,448)	(240,448)
Balance as at 1 January 2019, as restated		65,428,449	7,104	(1,111,447)	(36,914,958)	32,661,184	60,070,332
Profit for the financial year		-	-	-	-	1,622,120	1,622,120
Other comprehensive income, net of tax		-	-	24,000	-	-	24,000
Total comprehensive income		-	-	24,000	-	1,622,120	1,646,120
Balance as at 31 December 2019		65,428,449	7,104	(1,087,447)	(36,914,958)	34,283,304	61,716,452

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## Non-distributable

Company	Note	Share capital RM	(Accumulated losses)/ Retained earnings RM	Total equity RM
Balance as at 1 January 2018		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
<b>Transaction with owners:</b>				
Dividend paid	33	–	(4,330,688)	(4,330,688)
Total transaction with owners		–	(4,330,688)	(4,330,688)
Balance as at 31 December 2018		65,428,449	358,019	65,786,468
Balance as at 1 January 2019		65,428,449	358,019	65,786,468
Loss for the financial year		–	(473,363)	(473,363)
Other comprehensive income, net of tax		–	–	–
Total comprehensive loss		–	(473,363)	(473,363)
Balance as at 31 December 2019		65,428,449	(115,344)	65,313,105

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		1,993,013	1,344,069	(471,447)	7,792,212
Adjustments for:					
Amortisation of intangible asset	6	–	28,699	–	–
Bad debts written off		–	247	–	–
Depreciation of property, plant and equipment	5	6,426,723	4,369,844	1,050	1,050
Dividend income		–	–	–	(8,065,775)
Finance costs	28	1,717,576	969,676	–	–
Finance income	28	(384,678)	(516,301)	(187,052)	(280,612)
Gain on disposal of property, plant and equipment		(393)	(351,817)	–	–
Impairment losses on other receivables	10	(6,013)	6,013	–	–
Impairment losses on trade receivables	9	342,742	737,236	–	–
Impairment losses on amounts owing by related parties	12	–	66,287	–	–
Inventories written down	8	27,450	54,445	–	–
Property, plant and equipment written off	5	3,669	3,969	–	–
Reversal of impairment losses on trade receivables	9	(70,263)	(232,796)	–	–
Reversal of impairment losses on amounts owing by related parties	12	(9,539)	–	–	–
Reversal of impairment loss on amount owing by a subsidiary	11	–	–	–	(18,978)
Impairment loss on amount owing by a subsidiary	11	–	–	121,735	–
Gain on foreign exchange		(590,421)	(559,175)	–	–

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (continued)</b>					
Operating profit/(loss) before changes in working capital		9,449,866	5,920,396	(535,714)	(572,103)
Changes in working capital:					
Inventories		(2,351,269)	213,776	–	–
Trade receivables		(221,993)	(1,960,123)	–	–
Other receivables, deposits and prepayments		1,098,816	947,410	11,397	(11,512)
Trade payables		1,150,238	1,699,502	–	–
Other payables and accrued expenses		161,213	162,821	(5,898)	15,568
Amount owing by a subsidiary		–	–	–	(5,068,087)
Amounts owing by/to related parties		345,448	13,991	–	–
Amounts owing to Directors		(138,801)	55,594	–	–
Cash generated from/(used in) operations		9,493,518	7,053,367	(530,215)	(5,636,134)
Tax paid		(580,986)	(1,246,820)	(18,564)	(42,063)
Tax refunded		466,017	8,875	–	–
Net cash from/(used in) operating activities		9,378,549	5,815,422	(548,779)	(5,678,197)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Dividend received		–	–	–	4,359,878
Interest received		384,678	516,301	187,052	280,612
Repayment from a subsidiary		–	–	2,500,000	–
Proceeds from disposal of property, plant and equipment		196,390	671,665	–	–
Purchase of intangible asset	6	–	(7,000)	–	–
Purchase of property, plant and equipment	5	(897,432)	(9,736,348)	–	(6,300)
Withdrawal/(Placements) of deposits with licensed banks with maturity of over three (3) months		23,019	(148,019)	–	–
Placements of deposits pledged as securities		(115,061)	(83,675)	–	–
Net cash (used in)/from investing activities		(408,406)	(8,787,076)	2,687,052	4,634,190

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid	33	–	(4,330,688)	–	(4,330,688)
Interest paid		(1,275,294)	(969,676)	–	–
Net drawdowns of bankers' acceptances and term loans		1,946,442	853,338	–	–
Repayments of hire purchase and lease creditors		–	(290,700)	–	–
Repayments of hire purchase and lease liabilities		(2,198,083)	–	–	–
Net cash used in financing activities		(1,526,935)	(4,737,726)	–	(4,330,688)
Net increase/(decrease) in cash and cash equivalents		7,443,208	(7,709,380)	2,138,273	(5,374,695)
Effects of foreign exchange rates changes		(10,543)	(5,391)	–	–
Cash and cash equivalents at the beginning of financial year		5,902,471	13,617,242	5,072,773	10,447,468
Cash and cash equivalents at end of financial year	13(j)	13,335,136	5,902,471	7,211,046	5,072,773

## Reconciliation of Liabilities Arising from Financing Activities

	Note	2019 RM	Group 2018 RM
Bankers' acceptances and term loans			
At the beginning of the year		20,479,340	19,466,565
Cash flow		1,946,442	853,338
Non-cash flows:			
- Purchase of property, plant and equipment	5(e)	3,215,748	–
- Effect of foreign exchange		(177,331)	159,437
At the end of the year	17	25,464,199	20,479,340

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## Reconciliation of Liabilities Arising from Financing Activities (continued)

	Note	2019 RM	Group 2018 RM
<b>Hire purchase and lease creditors</b>			
At the beginning of the year		1,213,957	835,868
Effect of adoption of MFRS 16		(1,213,957)	–
As restated		–	835,868
Cash flows		–	(290,700)
Non-cash flow:			
- Purchase of property, plant and equipment	5(e)	–	668,789
At the end of the year	19	–	1,213,957
<b>Hire purchase and lease liabilities</b>			
At the beginning of the year		–	–
Effect of adoption of MFRS 16	40(a)	7,974,209	–
As restated		7,974,209	–
Cash flows:			
- Repayments of hire purchase and lease liabilities		(2,198,083)	–
Non-cash flows:			
- Purchase of property, plant and equipment	5(e)	408,535	–
- Interest expenses on hire purchase and lease liabilities		442,282	–
- Effect of foreign exchange		(28,555)	–
At the end of the year	21	6,598,388	–

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 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, Lebuhr Portland, Tasek Industrial Estate, 31400 Ipoh, Perak, Malaysia.

The consolidated financial statements for the financial year ended 31 December 2019 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 18 June 2020.

## 2. PRINCIPAL ACTIVITIES

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

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

## 3. BASIS OF PREPARATION

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

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

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 40(a) to the financial statements.

The Group and the Company applied MFRS 16 Leases for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 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 non-current assets are based on the geographical location of the assets of the Group.

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Revenue from external customers</b>		
Malaysia	33,927,122	38,257,487
America	1,049,038	4,187,194
East Asia & Oceania	33,715,022	26,948,977
Europe	4,574,618	4,411,436
South Asia, Middle East & Africa	5,485,098	9,396,324
South East Asia	37,863,008	29,062,008
	<hr/> 116,613,906	<hr/> 112,263,426
<b>Non-current assets</b>		
Malaysia	39,656,141	39,559,776
East Asia & Oceania	5,112,717	1,238,264
	<hr/> 44,768,858	<hr/> 40,798,040

### Major customer

There is only one (2018: one) major customer contributing approximately RM20,809,000 (2018: RM13,046,000) of the revenue to the Group, which equals to ten percent (10%) or more of the revenue of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 5. PROPERTY, PLANT AND EQUIPMENT

Group 2019	Balance as at 1.1.2019 RM	Effect of adoption of MFRS 16 (Note 40(a)) RM	Additions RM	Disposals RM	Write off RM	Currency translation differences RM	Depreciation charge for the financial year RM	Reclassi- fications RM	Balance as at 31.12.2019 RM
<b>Carrying amount</b>									
Right-of-use assets									
- Long-term leasehold land	-	2,398,629	-	-	-	-	(42,077)	-	2,356,552
- Buildings	-	6,462,537	81,639	-	-	(23,814)	(1,549,523)	-	4,970,839
- Motor vehicles	-	1,583,990	231,951	-	-	(4,004)	(416,274)	265,487	1,661,150
Long-term leasehold land	2,398,629	(2,398,629)	-	-	-	-	-	-	-
Buildings	9,330,799	-	-	-	-	-	(255,847)	-	9,074,952
Plant and machinery	18,427,608	-	517,283	(124,236)	(2,694)	(3,730)	(3,182,712)	3,405,357	19,036,876
Factory equipment	3,116,718	-	583,338	(3)	(230)	-	(559,887)	550,477	3,690,413
Furniture, fixtures and office equipment	460,245	-	35,863	-	(745)	(44)	(88,838)	-	406,481
Electrical installation	1,947,755	-	51,474	-	-	(165)	(179,632)	-	1,819,432
Factory renovation	1	-	-	-	-	-	-	-	1
Signboards	1	-	-	-	-	-	-	-	1
Motor vehicles	2,324,807	(1,583,990)	66,747	(71,758)	-	(1,203)	(151,933)	1	582,671
Capital work-in-progress	1,267,902	-	2,953,420	-	-	-	-	(4,221,322)	-
	39,274,465	6,462,537	4,521,715	(195,997)	(3,669)	(32,960)	(6,426,723)	-	43,599,368
Right-of-use assets									
- Long-term leasehold land			3,097,733				(741,181)		2,356,552
- Buildings			7,867,667				(2,896,828)		4,970,839
- Motor vehicles			2,697,501				(1,036,351)		1,661,150
Buildings			11,755,294				(2,680,342)		9,074,952
Plant and machinery			42,167,199				(23,130,323)		19,036,876
Factory equipment			7,456,098				(3,765,685)		3,690,413
Furniture, fixtures and office equipment			2,060,692				(1,654,211)		406,481
Electrical installation			3,112,586				(1,293,154)		1,819,432
Factory renovation			29,506				(29,505)		1
Signboards			13,961				(13,960)		1
Motor vehicles			2,851,841				(2,269,170)		582,671
	83,110,078						(39,510,710)		43,599,368



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019	Balance as at 1.1.2019 RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM	
<b>Carrying amount</b>				
Furniture, fixtures and office equipment	5,250	(1,050)	4,200	
	5,250	(1,050)	4,200	
	← At 31.12.2019 →			
	Cost RM	Accumulated depreciation RM	Carrying amount RM	
Furniture, fixtures and office equipment	6,300	(2,100)	4,200	
	6,300	(2,100)	4,200	
2018	Balance as at 1.1.2018 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2018 RM
<b>Carrying amount</b>				
Furniture, fixtures and office equipment	–	6,300	(1,050)	5,250
	–	6,300	(1,050)	5,250
	← At 31.12.2018 →			
	Cost RM	Accumulated depreciation RM	Carrying amount 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 is measured after initial recognition at cost less accumulated depreciation and any accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (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 period 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

In the previous financial year, long-term leasehold land was depreciated over their remaining leases which range from 62 to 94 years.

In the previous financial year, capital work-in-progress represented plant and equipment under installation. Capital work-in-progress were not depreciated until such time when the assets are available for use.

- (c) The right-of-use assets under property, plant and equipment are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, if any, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The principal depreciation period are as follows:

Long-term leasehold land	62 to 94 years
Buildings	1 to 7 years
Motor vehicles	5 to 10 years

- (d) In the previous financial year, the Group had 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 had 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 2019

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Purchase of property, plant and equipment	4,521,715	10,405,137	–	6,300
Financed by hire purchase and lease creditors	–	(668,789)	–	–
Financed by term loans	(3,215,748)	–	–	–
Financed by hire purchase and lease liabilities	(408,535)	–	–	–
<b>Cash payments on purchase of property, plant and equipment</b>	<b>897,432</b>	<b>9,736,348</b>	<b>–</b>	<b>6,300</b>

- (f) 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	
	2019 RM	2018 RM
Motor vehicles	–	1,316,055

- (g) 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	
	2019 RM	2018 RM
Long-term leasehold land	–	1,098,192
Buildings	3,052,616	3,147,595
Plant and machinery	6,970,418	3,454,187
Right-of-use assets		
- Long-term leasehold land	1,079,372	–
- Motor vehicles	1,661,150	–
<b>Total</b>	<b>12,763,556</b>	<b>7,699,974</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 6. INTANGIBLE ASSET

	Group	
	2019 RM	2018 RM
<b>Computer software</b>		
Cost		
Balance as at 1 January	72,100	65,100
Addition	–	7,000
<b>Balance as at 31 December</b>	<b>72,100</b>	<b>72,100</b>
Accumulated amortisation		
Balance as at 1 January	72,099	43,400
Amortisation charge for the year	–	28,699
<b>Balance as at 31 December</b>	<b>72,099</b>	<b>72,099</b>
Carrying amount		
Balance as at 31 December	1	1

- (a) Each class of intangible asset with finite useful lives are measured after initial recognition at cost less accumulated amortisation and any accumulated impairment loss.
- (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 expectancies 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	
	2019 RM	2018 RM
<b>Investment in a subsidiary</b>		
Unquoted shares - at cost	53,633,995	48,148,447
<b>Equity loan</b>		
Equity loan granted to a subsidiary	–	6,180,000
	<b>53,633,995</b>	<b>54,328,447</b>

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

**7. INVESTMENT IN A SUBSIDIARY (CONTINUED)**

(b) On 31 December 2019, the Company had subscribed for an additional shares of 5,485,548 in its wholly-owned subsidiary, Eversafe Rubber Works Sdn. Bhd. by way of conversion of equity loan of RM5,485,548. The balance amount of equity loan of RM694,452 was reclassified to amount owing by a subsidiary.

(c) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2019 %	2018 %	
Eversafe Rubber Works Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of rubber based tyre retread products and provision of related services
<b>Subsidiaries of Eversafe Rubber Works Sdn. Bhd.</b>				
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
<b>Subsidiary of Eversafe Trading (Shanghai) Co., Ltd.</b>				
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) In the previous financial year, equity loan to subsidiary was unsecured, interest-free and had no fixed terms of repayment, and was considered to be part of Company's net investment in its subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 8. INVENTORIES

	2019 RM	Group 2018 RM
<b>At cost</b>		
Raw materials	7,100,133	7,136,293
Work-in-progress	2,487,521	1,622,270
Finished goods	8,799,791	7,324,009
	18,387,445	16,082,572
<b>At net realisable value</b>		
Raw materials	22,141	9,892
Finished goods	9,504	40,093
	31,645	49,985
	18,419,090	16,132,557

- (a) Costs of inventories are determined on the first-in, first-out formula and stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.
- (b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM98,156,914 (2018: RM96,429,235).
- (c) During the current financial year, write down of inventories recognised for the Group amounted to RM27,450 (2018: RM54,445).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 9. TRADE RECEIVABLES

	<b>2019</b>	<b>Group</b>
	<b>RM</b>	<b>RM</b>
<b>Non-current</b>		
Trade receivables	1,602,318	1,872,739
Less: Accumulated impairment losses	(432,829)	(349,165)
	1,169,489	1,523,574
<b>Current</b>		
Trade receivables	27,086,359	26,376,472
Less: Accumulated impairment losses	(4,590,511)	(4,401,696)
	22,495,848	21,974,776
<b>Total trade receivables</b>	<b>23,665,337</b>	<b>23,498,350</b>

- (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 (2018: 0 to 90 days). Other credit terms are assessed and approved by the Group on a case-by-case basis up to 180 days. They are recognised at original invoice amounts, which represent their fair values on initial recognition.
- (d) Foreign currency exposure of trade receivables of the Group are as follows:

	<b>2019</b>	<b>Group</b>
	<b>RM</b>	<b>RM</b>
Ringgit Malaysia ("RM")	8,611,621	8,437,193
US Dollar ("USD")	6,285,647	6,926,359
Euro ("EUR")	2,008,328	549,125
Singapore Dollar ("SGD")	1,685,642	1,729,273
Hong Kong Dollar ("HKD")	1,635,547	1,655,821
Australian Dollar ("AUD")	1,631,032	1,804,167
Japanese Yen ("JPY")	1,430,726	1,208,089
Renminbi ("RMB")	376,794	1,043,292
Great Britain Pound ("GBP")	–	145,031
	23,665,337	23,498,350

- (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 2019

## 9. TRADE RECEIVABLES (CONTINUED)

- (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:

	2019 RM	Group 2018 RM
USD/RM		
- strengthen 3% (2018: 3%)	143,313	157,921
- weaken 3% (2018: 3%)	(143,313)	(157,921)
EUR/RM		
- strengthen 3% (2018: 3%)	45,790	12,520
- weaken 3% (2018: 3%)	(45,790)	(12,520)
SGD/RM		
- strengthen 3% (2018: 3%)	38,433	39,427
- weaken 3% (2018: 3%)	(38,433)	(39,427)
HKD/RM		
- strengthen 3% (2018: 3%)	37,290	37,753
- weaken 3% (2018: 3%)	(37,290)	(37,753)
AUD/RM		
- strengthen 3% (2018: 3%)	37,188	41,135
- weaken 3% (2018: 3%)	(37,188)	(41,135)
JPY/RM		
- strengthen 3% (2018: 3%)	32,621	27,544
- weaken 3% (2018: 3%)	(32,621)	(27,544)

Sensitivity analysis of other foreign currency is not disclosed as it is not material to the Group.

- (g) Impairment for trade receivables are recognised based on the simplified approach using the lifetime expected credit losses. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on the common credit risk characteristics of geographic region and type of product sold.

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.

**9. TRADE RECEIVABLES (CONTINUED)**

(g) (continued)

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information (e.g. gross domestic product (GDP), unemployment rate and inflation rate) 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.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

Lifetime expected credit loss allowance for trade receivables as at the end of the reporting period are as follows:

<b>2019</b>	<b>Gross carrying amount / Maximum exposure RM</b>	<b>Expected loss allowance RM</b>	<b>Net balance RM</b>
Current	21,124,583	1,030,847	20,093,736
Past due:			
1 to 30 days	2,184,449	579,965	1,604,484
31 to 60 days	407,148	48,430	358,718
61 to 90 days	571,278	132,368	438,910
More than 90 days	2,798,901	2,798,901	-
	<b>27,086,359</b>	<b>4,590,511</b>	<b>22,495,848</b>
Non-current	1,602,318	432,829	1,169,489
<b>2018</b>			
Current	20,265,207	962,309	19,302,898
Past due:			
1 to 30 days	1,962,605	512,690	1,449,915
31 to 60 days	956,210	298,163	658,047
61 to 90 days	840,366	276,450	563,916
More than 90 days	2,352,084	2,352,084	-
	<b>26,376,472</b>	<b>4,401,696</b>	<b>21,974,776</b>
Non-current	1,872,739	349,165	1,523,574

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 9. TRADE RECEIVABLES (CONTINUED)

(g) (continued)

### Movement of impairment:

	2019 RM	Group 2018 RM
<b>Current</b>		
At the beginning of the year	4,401,696	4,445,865
Charge for the year	191,005	665,590
Reversal	(2,190)	(60,115)
Write off	–	(649,644)
At the end of the year	4,590,511	4,401,696
<b>Non-current</b>		
At the beginning of the year	349,165	450,200
Charge for the year	151,737	71,646
Reversal	(68,073)	(172,681)
At the end of the year	432,829	349,165

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	213,876	180,733	–	–
Refundable deposits	728,183	814,505	2,000	2,000
Goods and Services Tax ("GST") receivable	316,503	1,215,658	115	11,512
	1,258,562	2,210,896	2,115	13,512
Less: Accumulated impairment losses	–	(6,013)	–	–
Total other receivables	1,258,562	2,204,883	2,115	13,512
Prepayments	519,475	682,677	–	–
	1,778,037	2,887,560	2,115	13,512

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

- (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	
	2019 Lifetime ECL allowance RM	2018 ECL allowance RM
At the beginning of the year	6,013	–
Charge for the year	–	6,013
Reversal	(6,013)	–
At the end of the year	–	6,013

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia (“RM”)	689,816	1,628,231	2,115	13,512
Hong Kong Dollar (“HKD”)	506,884	553,594	–	–
Renminbi (“RMB”)	61,862	23,058	–	–
	1,258,562	2,204,883	2,115	13,512

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 11. AMOUNT OWING BY A SUBSIDIARY

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Non-current</b>		
Non-trade	4,900,349	6,705,897
Less: Accumulated impairment loss	(424,582)	(302,847)
	4,475,767	6,403,050

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

### Movement of impairment:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>Lifetime ECL allowance</b>	<b>ECL allowance</b>
	<b>RM</b>	<b>RM</b>
At the beginning of the year	302,847	321,825
Charge for the year	121,735	–
Reversal	–	(18,978)
	424,582	302,847

- (d) Amount owing by a subsidiary is non-trade, unsecured, interest free and not receivable within the next twelve (12) months.
- (e) Amount owing by a subsidiary is denominated in RM.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 12. AMOUNTS OWING BY RELATED PARTIES

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Current		
Trade	545,982	866,666
Less: Accumulated impairment losses	(56,748)	(66,287)
	489,234	800,379

- (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 (2018: 60 to 90 days).
- (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(g) to the financial statements.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
At the beginning of the year	66,287	–
Charge for the year	–	66,287
Reversal	(9,539)	–
At the end of the year	56,748	66,287

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

## 13. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash and bank balances	6,642,317	2,785,889	4,691	52,773
Deposits with licensed banks	5,405,998	5,313,956	–	–
	12,048,315	8,099,845	4,691	52,773
Placement in funds	7,206,355	5,020,000	7,206,355	5,020,000

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 13. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS (CONTINUED)

- (a) Cash and bank balances are classified as financial assets and measured at amortised cost.
- (b) Placement in funds represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.
- (c) Placement in funds are classified as at fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss. The fair value is categorised as Level 1 in fair value hierarchy.
- (d) Currency exposure profile of cash and bank balances and placement in funds are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia ("RM")	15,421,992	11,864,223	7,211,046	5,072,773
US Dollar ("USD")	2,540,698	408,963	–	–
Euro ("EUR")	423,772	121,178	–	–
Hong Kong Dollar ("HKD")	413,407	487,726	–	–
Renminbi ("RMB")	398,771	230,507	–	–
Japanese Yen ("JPY")	50,855	5,384	–	–
Singapore Dollar ("SGD")	4,987	1,653	–	–
Australian Dollar ("AUD")	188	211	–	–
	19,254,670	13,119,845	7,211,046	5,072,773

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

	Group	
	2019 RM	2018 RM
USD/RM		
- strengthen 3% (2018: 3%)	57,928	9,324
- weaken 3% (2018: 3%)	(57,928)	(9,324)

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

- (f) Deposits pledged to licensed banks amounting to RM3,805,998 (2018: RM3,690,937) are for term loans, bankers' acceptances, bank overdrafts and hire purchase and lease liabilities granted to certain subsidiaries as disclosed in Notes 18(b), 20(b) and 21(e) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 13. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS (CONTINUED)

- (g) Deposits are placed with licensed banks for varying periods of between one (1) month and one (1) year (2018: between one (1) month and one (1) year) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.
- (h) Weighted average effective interest rate of deposits with licensed banks of the Group as at the end of each reporting period is 3.17% (2018: 3.17%).
- (i) 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.
- (j) 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	6,642,317	2,785,889	4,691	52,773
Deposits with licensed banks	5,405,998	5,313,956	–	–
Placement in funds	7,206,355	5,020,000	7,206,355	5,020,000
Bank overdrafts included in borrowings (Note 17)	(513,536)	(1,903,418)	–	–
	18,741,134	11,216,427	7,211,046	5,072,773
Less: Deposits with licensed banks with maturity of over three (3) months	(1,600,000)	(1,623,019)	–	–
Less: Deposits pledged as securities	(3,805,998)	(3,690,937)	–	–
	13,335,136	5,902,471	7,211,046	5,072,773

- (k) 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

	Group and Company			
	2019	2018		2018
	Number of ordinary shares	RM	Number of ordinary shares	RM
<b>Issued and fully paid:</b>				
At January/31 December	240,593,796	65,428,449	240,593,796	65,428,449

- (a) 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:				
Capital reserve	7,104	7,104	–	–
Foreign currency translation reserve	(1,087,447)	(1,111,447)	–	–
Reorganisation debit reserve	(36,914,958)	(36,914,958)	–	–
Distributable:				
Retained earnings/(Accumulated losses)	34,283,304	32,901,632	(115,344)	358,019
	(3,711,997)	(5,117,669)	(115,344)	358,019

(a) Capital reserve

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

(b) Foreign currency translation reserve

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

(c) Reorganisation debit reserve

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 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 2019, as previously reported	4,184,529	(219,513)	(14,142)	3,950,874
Effect of adoption of MFRS 16 (Note 40(a))	(57,267)	–	–	(57,267)
Balance as at 1 January 2019, as restated	4,127,262	(219,513)	(14,142)	3,893,607
Recognised in profit or loss (Note 31)	(1,452)	239,352	(1,970)	235,930
Exchange differences	(238)	–	–	(238)
Balance as at 31 December 2019	4,125,572	19,839	(16,112)	4,129,299
Balance as at 1 January 2018	3,917,417	(177,271)	–	3,740,146
Recognised in profit or loss (Note 31)	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

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

	2019 RM	Group 2018 RM
Unused tax losses		
- No expiry date	720,318	901,194
- Expired by 31 December 2019	–	166,005
- Expired by 31 December 2020	502,497	511,060
- Expired by 31 December 2021	462,010	469,884
- Expired by 31 December 2022	673,718	685,200
- Expired by 31 December 2023	846,001	860,419
- Expired by 31 December 2024	1,321,071	–
	4,525,615	3,593,762

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. DEFERRED TAX LIABILITIES (CONTINUED)

(b) (continued)

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.

Unrecognised deferred tax assets arising from unused tax losses amounting to RM166,005 from the financial year 2018 has expired in the current financial year.

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.

## 17. BORROWINGS

	2019 RM	Group 2018 RM
Non-current liabilities		
Term loans (Note 18)	3,881,954	293,253
Hire purchase and lease creditors (Note 19)	–	810,688
	3,881,954	1,103,941
<b>Current liabilities</b>		
Bankers' acceptances (Note 18)	20,341,679	18,898,506
Term loans (Note 18)	1,240,566	1,287,581
Hire purchase and lease creditors (Note 19)	–	403,269
Bank overdrafts (Notes 13(j) and 20)	513,536	1,903,418
	22,095,781	22,492,774
<b>Total borrowings</b>		
Bankers' acceptances (Note 18)	20,341,679	18,898,506
Term loans (Note 18)	5,122,520	1,580,834
Hire purchase and lease creditors (Note 19)	–	1,213,957
Bank overdrafts (Notes 13(j) and 20)	513,536	1,903,418
	25,977,735	23,596,715

**17. BORROWINGS (CONTINUED)**

- (a) Borrowings are classified as financial liabilities and measured at amortised cost.
- (b) Borrowings of the Group are denominated in the following currencies:

	<b>2019</b>	<b>Group</b>	<b>2018</b>
	<b>RM</b>		<b>RM</b>
Ringgit Malaysia ("RM")	18,360,056		13,305,420
US Dollar ("USD")	7,617,679		9,812,506
Hong Kong Dollar ("HKD")	–		478,789
	25,977,735		23,596,715

- (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 RM173,683 (2018: RM223,725) and RM Nil (2018: RM10,916) with all other variables held constant.

- (d) The carrying amounts of the current position of borrowings are reasonable approximation 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:

	<b>2019</b>	<b>Group</b>	<b>2018</b>
	<b>RM</b>		<b>RM</b>
<b>Profit after tax</b>			
- Increase by 0.1% (2018: 0.1%)	(19,743)		(17,011)
- Decrease by 0.1% (2018: 0.1%)	19,743		17,011

- (f) Information on liquidity and cash flow risks of borrowings is disclosed in Note 38 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. BORROWINGS (CONTINUED)

- (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 RM	1 - 2 years RM	2 - 5 years RM	Total RM
<b>31 December 2019</b>					
<b>Floating rates</b>					
Bankers' acceptances	4.17	20,341,679	–	–	20,341,679
Term loans	6.69	1,240,566	1,107,702	2,774,252	5,122,520
Bank overdrafts	8.11	513,536	–	–	513,536
<b>31 December 2018</b>					
<b>Fixed rates</b>					
Hire purchase and lease creditors	4.50	403,269	310,618	500,070	1,213,957
<b>Floating rates</b>					
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

## 18. TERM LOANS AND BANKERS' ACCEPTANCES

Term loans together with the bankers' acceptances are secured by the following:

- Legal charges over property, plant and equipment of subsidiaries (Note 5(g));
- Pledge of short term deposits of a subsidiary (Note 13(f));
- Corporate guarantee from the Company and its subsidiary; and
- Joint and several guarantees by certain Directors of the Company and its subsidiaries.

**19. HIRE PURCHASE AND LEASE CREDITORS**

		<b>Group</b>	
	<b>2019</b>		<b>2018</b>
	<b>RM</b>		<b>RM</b>
Minimum hire purchase and lease payments:			
- not later than one (1) year	–		450,582
- later than one (1) year but not later than five (5) years	–		890,432
<hr/>			
Total minimum hire purchase and lease payments	–		1,341,014
Less: Future interest charges	–		(127,057)
<hr/>			
Present value of hire purchase and lease payments	–		1,213,957
<hr/>			
Repayable as follows:			
Current liabilities			
- not later than one (1) year	–		403,269
Non-current liabilities			
- later than one (1) year but not later than five (5) years	–		810,688
<hr/>			
	–		1,213,957
<hr/>			

- (a) In the previous financial year, sensitivity analysis for fixed rate hire purchase and lease creditors as at the end of the reporting period was not presented as they were not affected by changes in interest rates.
- (b) In the previous financial year, hire purchase and lease creditors of the Group were secured by the financial institutions' charge over the assets under hire purchase. Certain hire purchase and lease creditors of the Group were also guaranteed by certain Directors of the Company.
- (c) In the previous financial year, the carrying amounts of hire purchase and lease creditors of the Group as at the end of the reporting period were reasonable approximation of fair values due to the insignificant impact of discounting.

**20. BANK OVERDRAFTS**

Bank overdrafts of the Group are secured as follows:

- (a) Fixed charges over certain plant and machinery of a subsidiary (Note 5(g));
- (b) Pledge of short term deposits of a subsidiary (Note 13(f)); and
- (c) Joint and several guarantees by certain Directors of the Company and its subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

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## 21. HIRE PURCHASE AND LEASE LIABILITIES

	2019 RM	Group 2018 RM
<b>Non-current liabilities</b>		
Hire purchase with financial institutions	743,107	–
Lease liabilities	3,963,746	–
	4,706,853	–
<b>Current liabilities</b>		
Hire purchase with financial institutions	366,637	–
Lease liabilities	1,524,898	–
	1,891,535	–
Total hire purchase and lease liabilities	6,598,388	–

- (a) The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the Group's weighted average incremental borrowing rates which range from 4.77% to 6.63%.

After initial recognition, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.

The corresponding right-of-use assets of the lease liabilities are presented as property, plant and equipment as disclosed in Note 5 to the financial statements.

- (b) The Group has lease contract for a warehouse that contains variable payments based on the usage of square feet for stored stocks. Variable lease payments are recognised in profit or loss as disclosed in Note 29 to the financial statements when the condition that triggers those payments occur.

A 10% increase in square feet used for stored stocks would increase total lease payments by 10%

- (c) At the end of the financial year, the Group had total cash outflow for leases for RM2,198,083.
- (d) Sensitivity analysis for fixed rate hire purchase and lease liabilities as at the end of the reporting period is not presented as they are not affected by changes in interest rates.
- (e) Hire purchase of the Group were secured by the financial institutions' charge over the assets under hire purchase. Certain hire purchase of the Group were also joint and severally guaranteed by certain Directors of the Company and its subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

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## 21. HIRE PURCHASE AND LEASE LIABILITIES (CONTINUED)

- (f) The maturity profile of the Group's hire purchase and lease liabilities at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	<b>2019 RM</b>	<b>Group 2018 RM</b>
Less than one (1) year	2,257,644	–
One (1) to two (2) years	2,142,877	–
Two (2) to three (3) years	2,077,108	–
Three (3) to four (4) years	701,794	–
Four (4) to five (5) years	158,291	–
<hr/>		
Total undiscounted lease payments	7,337,714	–
Less: Future finance charges	(739,326)	–
<hr/>		
Present value of lease liabilities	6,598,388	–

### **Analysis of present value of hire purchase and lease liabilities:**

Less than one (1) year	1,891,535	–
One (1) to two (2) years	1,909,270	–
Two (2) to three (3) years	1,962,391	–
Three (3) to four (4) years	680,156	–
Four (4) to five (5) years	155,036	–
<hr/>		
	6,598,388	–
Less: Amount due within 12 months	(1,891,535)	–
<hr/>		
Amount due after 12 months	4,706,853	–

- (g) Hire purchase and lease liabilities of the Group are denominated in the following currencies:

	<b>2019 RM</b>	<b>Group 2018 RM</b>
Ringgit Malaysia ("RM")	1,796,444	–
Hong Kong Dollar ("HKD")	4,763,223	–
Renminbi ("RMB")	38,721	–
<hr/>		
	6,598,388	–

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 21. HIRE PURCHASE AND LEASE LIABILITIES (CONTINUED)

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

	2019 RM	Group 2018 RM
HKD/RM		
- strengthen 3% (2018: 3%)	108,601	-
- weaken 3% (2018: 3%)	(108,601)	-

Sensitivity analysis of other foreign currency is not disclosed as it is not material to the Group.

- (i) The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.
- (j) Information on liquidity and cash flow risks of hire purchase and lease liabilities is disclosed in Note 38 to the financial statements.

## 22. TRADE PAYABLES

- (a) Trade payables are classified as financial liabilities and 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 (2018: one (1) month to three (3) months).
- (c) Foreign currency exposure of trade payables of the Group are as follows:

	2019 RM	Group 2018 RM
Ringgit Malaysia ("RM")	5,473,661	4,579,766
US Dollar ("USD")	416,364	116,362
Japanese Yen ("JPY")	131,568	-
Euro ("EUR")	94,032	-
Hong Kong Dollar ("HKD")	49,005	514,400
Renminbi ("RMB")	-	33,544
	6,164,630	5,244,072

- (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 38 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 23. OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables	1,845,072	1,667,453	12,768	24,366
Accrued expenses	1,054,456	1,084,740	14,000	–
GST payable	8,306	80,469	–	8,300
Sales and service tax payable	52,584	–	–	–
	2,960,418	2,832,662	26,768	32,666

- (a) Other payables and accrued expenses are classified as financial liabilities and measured at amortised cost.
- (b) Foreign currency exposure of other payables and accrued expenses of the Group and of the Company are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia (“RM”)	2,748,555	2,621,089	26,768	32,666
Renminbi (“RMB”)	73,963	101,329	–	–
Hong Kong Dollar (“HKD”)	137,900	110,244	–	–
	2,960,418	2,832,662	26,768	32,666

- (c) Sensitivity analysis of foreign currencies are 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 38 to the financial statements.

## 24. 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 (2018: 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 38 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 25. 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 within next twelve (12) months in cash and cash equivalents.
- (c) Currency exposure profile of amounts owing to Directors are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Ringgit Malaysia ("RM")	78,948	172,296
Renminbi ("RMB")	19,400	81,013
Hong Kong Dollar ("HKD")	15,768	–
	114,116	253,309

- (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 amounts owing to Directors is disclosed in Note 38 to the financial statements.

## 26. REVENUE

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Revenue from contracts with customers:				
- Sale of rubber based tyre retreaded products and related charges	116,613,906	112,263,426	–	–
- Management fee	–	–	–	180,000
	116,613,906	112,263,426	–	180,000
Other revenue:				
- Dividend income from a subsidiary	–	–	–	8,065,775
	116,613,906	112,263,426	–	8,245,775

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**26. REVENUE (CONTINUED)**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Timing of revenue recognition:				
Products and services transferred over time	–	–	–	180,000
Products and services transferred at a point in time	116,613,906	112,263,426	–	–
	116,613,906	112,263,426	–	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.

(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 material 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 a subsidiary is recognised over time when the subsidiary simultaneously receives and consumes the benefits.

(b) Other revenue

Dividend income

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 27. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Wages, salaries, allowances and bonuses	11,576,381	12,124,196	–	92,045
Contributions to defined contribution plans	582,525	600,725	–	10,266
Social security contributions	104,038	117,269	–	943
Other employee benefits	894,056	869,404	–	87
	13,157,000	13,711,594	–	103,341

Included in employee benefits expense of the Group are Executive Directors' remuneration amounting to RM996,150 (2018: RM1,025,442) as further disclosed in Note 30 to the financial statements.

## 28. FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Finance income</b>				
Finance income from:				
- deposits with licensed banks	167,624	231,695	–	–
- placement in funds	186,355	278,348	186,355	278,348
- others	30,699	6,258	697	2,264
	384,678	516,301	187,052	280,612
<b>Finance costs</b>				
Interest expense in relation to:				
- bankers' acceptances and bank overdrafts	980,197	777,641	–	–
- hire purchase and lease creditors	–	33,474	–	–
- hire purchase and lease liabilities	442,282	–	–	–
- term loans	295,097	158,561	–	–
	1,717,576	969,676	–	–

Interest income from short term deposits and placement in funds are recognised on an accrual basis, using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax is arrived at after charging				
Auditors' remuneration				
Statutory audit:				
- auditors of the Company				
- current year	118,000	113,000	14,600	12,600
- other auditors				
- current year	17,140	24,665	-	-
- underprovision in prior year	9,253	-	-	-
Non-statutory audit	4,000	4,000	4,000	4,000
Bad debts written off	-	247	-	-
Directors' remuneration paid and payable to:				
<i>Directors' fees</i>				
- Directors of the Company	361,574	375,000	246,000	240,000
- Directors of the subsidiaries	35,287	30,000	-	-
<i>Other emoluments</i>				
- Directors of the Company	985,401	1,036,542	-	-
- Directors of the subsidiaries	21,149	-	-	-
Loss on foreign exchange	402,423	516,314	-	-
Rental of:				
- hostel	-	64,167	-	-
- premises	-	1,741,493	-	-
Variable lease payments	323,883	-	-	-
And crediting:				
Gain on disposal of property, plant and equipment	393	351,817	-	-
Gain on foreign exchange	590,421	559,175	-	-

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## 30. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company:				
Executive:				
Fees	175,574	185,000	90,000	90,000
Other emoluments	975,001	1,025,442	–	–
Non-executive:				
Fees	186,000	190,000	156,000	150,000
Other emoluments	10,400	11,100	–	–
Directors of the subsidiaries:				
Executive:				
Fees	35,287	30,000	–	–
Other emoluments	21,149	–	–	–
<b>Total</b>	<b>1,403,411</b>	<b>1,441,542</b>	<b>246,000</b>	<b>240,000</b>

Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM70,931 (2018: RM69,792).

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
<b>2019</b>		
RM1 - RM50,000	–	4
RM50,001 - RM100,000	–	1
RM250,001 - RM300,000	1	–
RM350,001 - RM400,000	1	–
RM550,001 - RM600,000	1	–
<b>2018</b>		
RM1 - RM50,000	–	4
RM50,001 - RM100,000	–	1
RM200,001 - RM250,000	1	–
RM300,001 - RM350,000	1	–
RM600,001 - RM650,000	1	–

# NOTES TO THE FINANCIAL STATEMENTS

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## 31. TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense based on profit for the financial year (Over)/Underprovision in prior years	237,128 (102,165)	441,526 (153,793)	– 1,916	39,898 (37)
	134,963	287,733	1,916	39,861
Deferred tax (Note 16): Relating to origination and reversal of temporary differences Underprovision in prior years	137,148 98,782	(45,488) 254,479	– –	– –
	235,930	208,991	–	–
<b>Tax expense</b>	<b>370,893</b>	<b>496,724</b>	<b>1,916</b>	<b>39,861</b>

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 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/(loss) multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax	1,993,013	1,344,069	(471,447)	7,792,212
Tax at statutory tax rate of 24% (2018: 24%)	478,323	322,577	(113,147)	1,870,131
Tax effects in respect of:				
Non-allowable expenses	368,472	1,251,322	113,147	172,642
Non-taxable income	(144,649)	(348,204)	–	(2,002,875)
Utilisation of reinvestment allowance	(595,688)	(759,822)	–	–
Utilisation of previously unrecognised deferred tax assets	(33,852)	(372,392)	–	–
Different tax rates in foreign jurisdiction	(28,598)	31,654	–	–
Deferred tax assets not recognised	330,268	270,903	–	–
	374,276	396,038	–	39,898
(Over)/Underprovision of current tax expense in prior years	(102,165)	(153,793)	1,916	(37)
Underprovision of deferred tax in prior years	98,782	254,479	–	–
<b>Income tax expense</b>	<b>370,893</b>	<b>496,724</b>	<b>1,916</b>	<b>39,861</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 31. TAX EXPENSE (CONTINUED)

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

	Before tax RM	Tax effect RM	After tax RM
<b>At 31 December 2019</b>			
Item that may be subsequently reclassified to profit or loss:			
Foreign currency translations	24,000	–	24,000
<hr/>			
<b>At 31 December 2018</b>			
Item that may be subsequently reclassified to profit or loss:			
Foreign currency translations	140,721	–	140,721
<hr/>			

## 32. 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.

	2019 RM	Group 2018 RM
Profit for the financial year attributable to equity holders of the Company	1,622,120	847,345
<hr/>		
Weighted average number of ordinary shares in issue (units)	240,593,796	240,593,796
<hr/>		
Basic earnings per ordinary share for (sen):	0.67	0.35
<hr/>		

(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.

# NOTES TO THE FINANCIAL STATEMENTS

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### 33. DIVIDEND

	<b>Group and Company</b>			
	<b>2019</b>			<b>2018</b>
	<b>Dividend per share sen</b>	<b>Amount of dividend RM</b>	<b>Dividend per share sen</b>	<b>Amount of dividend RM</b>
Single tier interim dividend	–	–	1.80	4,330,688

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

### 34. 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 34. RELATED PARTY DISCLOSURES (CONTINUED)

- (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:

	<b>2019 RM</b>	<b>Group 2018 RM</b>
With major shareholder:		
Tai Hin & Son (PG) Sdn. Bhd.		
- Rental paid	240,000	216,000
With direct and indirect subsidiaries of major shareholder:		
Tayarmart (M) Sdn. Bhd.		
- Sale of trading goods	1,413,201	1,385,113
- Purchase of raw materials	104,226	69,209
- Purchases of services	14,429	22,595
Tayarmart (Raja Uda) Sdn. Bhd.		
- Sale of trading goods	166,363	285,718
- Purchase of raw materials	9,772	10,959
- Purchases of services	32	-
Tayarmart (T. Bagan) Sdn. Bhd.		
- Purchase of raw materials	4,950	4,710

- (c) Compensation of key management personnel

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

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Fees	396,861	405,000	246,000	240,000
Short term employee benefits	1,506,037	1,541,721	-	57,598
Contributions to defined contribution plans	123,922	126,528	-	6,018
	<b>2,026,820</b>	<b>2,073,249</b>	<b>246,000</b>	<b>303,616</b>

### 35. 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:

	<b>2019</b>	<b>Group</b>	<b>2018</b>
	<b>RM</b>		<b>RM</b>
Not later than one (1) year	–		1,580,559
Later than one (1) year and not later than five (5) years	–		25,500
	–		1,606,059

(b) Capital commitments

	<b>2019</b>	<b>Group</b>	<b>2018</b>
	<b>RM</b>		<b>RM</b>
Capital expenditure in respect of purchase of property, plant and equipment:			
Contracted but not provided for	3,000,000		620,400

### 36. CONTINGENT LIABILITIES

	<b>2019</b>	<b>Company</b>	<b>2018</b>
	<b>RM</b>		<b>RM</b>
Unsecured			
Corporate guarantees given to banks for credit facilities granted to subsidiaries	18,956,535		1,366,857

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate could be made of the amount of the obligation.

The Directors are of the view that the fair value of such corporate guarantees given by the Company is negligible as it is unlikely that the financial institutions will call upon the corporate guarantees in view of the financial strength of the subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

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## 37. 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 2019 and 31 December 2018.

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 and placement in funds. Capital represents equity attributable to the owners of the parent. The net debt-to-equity ratios as at 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Borrowings	25,977,735	23,596,715	–	–
Hire purchase with financial institutions	1,109,744	–	–	–
Less: Cash and bank balances	(12,048,315)	(8,099,845)	(4,691)	(52,773)
Placement in funds	(7,206,355)	(5,020,000)	(7,206,355)	(5,020,000)
Net debt/(Net cash)	7,832,809	10,476,870	(7,211,046)	(5,072,773)
Total capital	61,716,452	60,310,780	65,313,105	65,786,468
Net debt-to-equity ratio	0.13	0.17	*	*

\* 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 2.0 times;
- (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.

### 37. CAPITAL MANAGEMENT (CONTINUED)

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 2019.

### 38. 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, 10, 13, 17, 21, 22, 23 and 25), liquidity and cash flow risk, credit risk and interest rate risk (Notes 13, 17 and 21). 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 RM	One (1) to five (5) year RM	Total RM
<b>2019</b>			
<b>Financial liabilities</b>			
Trade payables	6,164,630	–	6,164,630
Other payables and accrued expenses	2,960,418	–	2,960,418
Amounts owing to related parties	41,321	–	41,321
Amounts owing to Directors	114,116	–	114,116
Borrowings	22,402,464	4,281,140	26,683,604
Hire purchase and lease liabilities	2,257,644	5,080,070	7,337,714
<b>Total undiscounted financial liabilities</b>	<b>33,940,593</b>	<b>9,361,210</b>	<b>43,301,803</b>

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## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY (CONTINUED)

### (a) Liquidity and cash flow risks (continued)

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 (continued):

Group	On demand or within one (1) year RM	One (1) to five (5) year RM	Total RM
<b>2018</b>			
<b>Financial liabilities</b>			
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
<b>Total undiscounted financial liabilities</b>	<b>30,979,866</b>	<b>1,189,324</b>	<b>32,169,190</b>
<b>Company</b>			
<b>2019</b>			
<b>Financial liability</b>			
Other payables and accrued expenses/Total undiscounted financial liability	26,768	–	26,768
<b>2018</b>			
<b>Financial liability</b>			
Other payables and accrued expenses/Total undiscounted financial liability	32,666	–	32,666

### (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.

**39. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

The World Health Organisation declared the 2019 Novel Coronavirus infection ('Covid 19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing various degree of Movement Control Orders from 18 March 2020 to 31 August 2020. These movement control orders, amongst others, prohibit any movement and mass gatherings nationwide and require closures of all governments and private premises except those involved in essential services. Other countries around the world have similiarly issued movement control orders in their respective countries during the same period.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period and therefore, judgments and assumptions used in the preparation of the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

- (a) Reduced consumer demand for goods of the Group owing to lost income and restrictions on consumers' ability to move freely;
- (b) Reduction in market prices of financial assets, including debt and equity instruments; and
- (c) Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

Any potential financial reporting impact of Covid-19 arising from the assessment would be reflected in the financial statements of the Group during the financial year ending 31 December 2020.

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## 40. 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
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

Adoption of the above Standard, Interpretation and Amendments 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 16 as described in the following section.

#### (i) MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rates of the Group as of 1 January 2019. The range of incremental borrowing rates of the Group applied to the lease liabilities on 1 January 2019 were between 4.77% to 6.63%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property, plant and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

**40. ADOPTION OF NEW MFRSS AND AMENDMENT TO MFRSs (CONTINUED)**

**(a) New MFRSs adopted during the financial year (continued)**

(i) MFRS 16 *Leases* (continued)

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset under property, plant and equipment and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

<b>Group</b>	<b>As at 31 December 2018 RM</b>	<b>Impact RM</b>	<b>As at 1 January 2019 RM</b>
Property, plant and equipment			
- Long-term leasehold land	2,398,629	(2,398,629)	-
- Motor vehicles	2,324,807	(1,583,990)	740,817
- Right-of-use assets			
- Long-term leasehold land	-	2,398,629	2,398,629
- Buildings	-	6,462,537	6,462,537
- Motor vehicles	-	1,583,990	1,583,990
Deferred tax liabilities	3,950,874	(57,267)	3,893,607
Borrowings	23,596,715	(1,213,957)	22,382,758
Hire purchase and lease liabilities	-	7,974,209	7,974,209
Retained earnings	32,901,632	(240,448)	32,661,184

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 40. ADOPTION OF NEW MFRSS AND AMENDMENT TO MFRSSs (CONTINUED)

### (a) New MFRSSs adopted during the financial year (continued)

#### (i) MFRS 16 Leases (continued)

Hire purchase and lease liabilities are measured as follows:

	<b>Group 2019 RM</b>
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	1,606,059
Weighted average incremental borrowing rate as at 1 January 2019	5.70%
<hr/>	
Discounted operating lease commitments as at 1 January 2019	1,514,514
Hire purchase and lease liabilities recognised as at 31 December 2018	1,213,957
Contracts reassessed as lease contracts	5,245,738
<hr/>	
Hire purchase and lease liabilities recognised at 1 January 2019	7,974,209

### (b) New MFRSSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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:

<b>Title</b>	<b>Effective Date</b>
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of liabilities as Current or Non-current</i>	1 January 2022
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

#### 41. FINANCIAL REPORTING UPDATES

##### **IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)**

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group and the Company are in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2020.

# ANALYSIS OF SHAREHOLDERS

AS AT 19 JUNE 2020

## 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	:	1,168 shareholders

## DISTRIBUTION OF SHAREHOLDINGS AS AT 19 JUNE 2020

(as per the Record of Depositors)

Size of Holdings	No. of holders	% of holders	No. of shares held	% of issued shares
1-99	4	0.34	100	*
100-1,000	91	7.79	47,100	0.02
1,001-10,000	476	40.76	2,884,900	1.20
10,001-100,000	459	39.30	18,214,700	7.57
100,000 to less than 5% of issued shares	136	11.64	87,165,212	36.23
5% and above issued shares	2	0.17	132,281,784	54.98
<b>Total</b>	<b>1,168</b>	<b>100.0</b>	<b>240,593,796</b>	<b>100.00</b>

Note:

\* Negligible

## SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS AS AT 19 JUNE 2020

(as per Register of Substantial Shareholders)

Name of substantial shareholder	<----- Direct ----->		<----- Indirect ----->	
	No. of shares held	%	No. of shares held	%
Tai Hin & Son (PG) Sdn Bhd	116,893,546	48.59	–	–
Dato' Seri Cheah Eu Kiat	15,388,238	6.40	<sup>(1)</sup> 117,137,446	48.69
Eu Ah Seng	4,707,350	1.96	<sup>(2)</sup> 12,000,000	4.99

Note:

(1) Deemed interested by virtue of his interest in Tai Hin & Son (PG) Sdn Bhd (116,893,546 ordinary shares) pursuant to Section 8 of the Companies Act 2016, and the indirect interest of his daughter, Ms Cheah Siang Huay (243,900 ordinary shares) pursuant to Section 59(11)(c) of the Companies Act 2016.

(2) Deemed interested by virtue of his interest in EAS & Sons Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

# ANALYSIS OF SHAREHOLDERS

AS AT 19 JUNE 2020

## SHAREHOLDINGS OF DIRECTORS AS AT 19 JUNE 2020

(as per Register of Directors' Shareholdings)

Name of Directors	<----- Direct ----->		<----- Indirect ----->	
	No. of shares held	%	No. of shares held	%
Tan Sri Dato' Dr. Sak Cheng Lum	-	-	-	-
Dato' Seri Cheah Eu Kiat	15,388,238	6.40	<sup>(1)</sup> 117,137,446	48.69
Eu Ah Seng	4,707,350	1.96	<sup>(2)</sup> 12,000,000	4.99
Cheah Siang Tee	750,000	0.31	-	-
Cheah Eu Lee	1,540,000	0.64	-	-
Haji Mohd Isa bin Haji Talib	-	-	-	-
Ng Meng Kwai	-	-	-	-
Ong Beow Chieh	-	-	-	-

Notes:

(1) Deemed interested by virtue of his interest in Tai Hin & Son (PG) Sdn Bhd (116,893,546 ordinary shares) pursuant to Section 8 of the Companies Act 2016, and the indirect interest of his daughter, Ms Cheah Siang Huay (243,900 ordinary shares) pursuant to Section 59(1)(c) of Companies Act 2016.

(2) Deemed interested by virtue of his interest in EAS & Sons 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 19 June 2020)

No.	Name of Shareholder	No. of shares	% of shares
1.	Tai Hin & Son (PG) Sdn Bhd	116,893,546	48.59
2.	Cheah Eu Kiat	15,388,238	6.40
3.	EAS & Sons Sdn Bhd	12,000,000	4.99
4.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sang Ah Weng (E-MLB)	7,479,075	3.11
5.	Teo Kwee Hock	5,615,300	2.33
6.	Eu Ah Seng	4,707,350	1.96
7.	Goh Kim Han	2,318,900	0.96
8.	Ooi Lay See	2,000,000	0.83
9.	UOBM Nominees (Tempatan) Sdn Bhd Exempt An for Areca Capital Sdn Bhd (Client A/C 1)	2,000,000	0.83
10.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	1,980,300	0.82
11.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chung Keen Mean	1,650,000	0.68
12.	Chuah Meng Hing	1,604,906	0.67
13.	Cheah Eu Lee	1,540,000	0.64

# ANALYSIS OF SHAREHOLDERS

AS AT 19 JUNE 2020

## LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)

(as per the Record of Depositors as at 19 June 2020)

No.	Name of Shareholder	No. of shares	% of shares
14.	Boey Tze Nin	1,524,300	0.63
15.	Chuah Hann Yan	1,477,828	0.61
16.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tang Way Keong (E-TMI)	1,341,000	0.56
17.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt An for LGT Bank AG (Local)	1,000,000	0.42
18.	LNH Holdings Sdn Bhd	1,000,000	0.42
19.	Pichet Nithivasin	1,000,000	0.42
20.	Saw Khai Phin Holdings Sdn Bhd	1,000,000	0.42
21.	Cheah Siang Gim	997,000	0.41
22.	Tan Huen Man	986,211	0.41
23.	Saw Khai Phin	950,000	0.39
24.	Lee Chu Siong	945,864	0.39
25.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Kuck Meng (E-TMI)	900,000	0.37
26.	Mercsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Beow Soon	859,900	0.36
27.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeo Show Kau (E-TMI)	859,700	0.36
28.	Ooi Beng Chong	770,000	0.32
29.	Cheah Siang Tee	750,000	0.31
30.	Tan Gaik Suan	731,300	0.30
<b>Total</b>		<b>192,270,718</b>	<b>79.91</b>

# PROPERTIES HELD BY THE GROUP

Location/ Postal address	Registered/ beneficial owner	Description/ existing use	Tenure	Land/ Built-up area	Year of acquisition/ revaluation	Date of issuance of certificate	Carrying amount (RM)
Lot 69531, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan	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/-	#	894,750
<i>(also referred to as Lot 82, Tasek Industrial Estate, Ipoh)</i>							
Lot 70070, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan	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/-	CCC: 09.07.2015	7,299,517
<i>(also referred to as Lot 90, Tasek Industrial Estate, Ipoh)</i>							
Lot 70074, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak Darul Ridzuan	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/-	#	1,873,325
<i>(also referred to as Lot 93, Tasek Industrial Estate, Ipoh)</i>							
Lot 76187, Kawasan Perindustrian Tasek, Mukim Haulu Kinta, Perak Darul Ridzuan	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./ a23,513 sq. ft.	2000/-	#	1,363,912
<i>(also referred to as Lot 94, Tasek Industrial Estate, Ipoh)</i>							

**Note:**

(#) We do not have a copy of the CF for Lots 82, 93 and 94 and have requested for a copy from Majlis Bandaraya Ipoh ("MBI"). As indicated by MBI in its letter dated 2 March 2015, MBI is unable to provide us with a copy of the CF as MBI does not have a copy in its records as these premises are old buildings. MBI has informed us in the same letter that it has no objection for us to occupy these premises. In addition, we had submitted the redrawn building plans to MBI for its assessment and MBI had subsequently approved the building plans on 16 June 2015.

# NOTICE OF 5TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifth Annual General Meeting of **EVERSAFE RUBBER BERHAD** will be held at **Conference 1, Level 2, Weil Hotel, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan** on **Thursday, 13 August 2020** 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 2019 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) Tan Sri Dato' Dr. Sak Cheng Lum **(Ordinary Resolution 1)**
  - ii) Mr Ng Meng Kwai **(Ordinary Resolution 2)**
  - iii) Ms Ong Beow Chieh **(Ordinary Resolution 3)**
3. To approve the Directors' fees of RM260,000 for the financial year ending 31 December 2020. **(Ordinary Resolution 4)**
4. To approve the Directors' benefits of up to RM1,500,000.00 for the period from 1 July 2020 to 30 June 2021. **(Ordinary Resolution 5)**
5. To re-appoint BDO PLT as Auditors of the Company and authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

### AS SPECIAL BUSINESS

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

#### 6. **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 7)**

# NOTICE OF 5TH ANNUAL GENERAL MEETING

## 7. **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 30 June 2020 (“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 8)**

- 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 (SSM PC NO. 202008001920) (LS 0008373)  
YENG SHI MEI (SSM PC NO. 202008001282) (MAICSA 7059759)  
Company Secretaries

Dated this 30 June 2020  
Ipoh

# NOTICE OF 5TH ANNUAL GENERAL MEETING

## 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 Fifth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd to issue a General Meeting Record of Depositors ("ROD") as at 4 August 2020. 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

Tan Sri Dato' Dr. Sak Cheng Lum, Mr. Ng Meng Kwai and Ms Ong Beow Chieh are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Fifth 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.

# NOTICE OF 5TH ANNUAL GENERAL MEETING

## 3. Proposed Ordinary Resolution 4

The Directors' Fees proposed for the financial year ending 31 December 2020 are calculated based on the Board size and in accordance to the Company's policy and guidelines.

## 4. Proposed Ordinary Resolution 5

This ordinary resolution is to facilitate payment of Directors' benefits on Directors' and Officers' insurance for the period from 1 July 2020 until 30 June 2021. 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 2021.

## 5. Proposed Ordinary Resolution 6

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 Fifth Annual General Meeting are disclosed in the Corporate Governance Overview Statement of the Annual Report 2019.

## 6. Proposed Ordinary Resolution 7

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 Fifth Annual General Meeting, authority to allot shares in the Company up to and not exceed 10% 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 Fourth Annual General Meeting held on 15 May 2019 and the mandate will lapse at the conclusion of the Fifth Annual General Meeting.

## 7. Proposed Ordinary Resolution 8

The proposed Ordinary Resolution 8 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 30 June 2020 accompanying the Company's Annual Report for the financial year ended 31 December 2019.

# STATEMENT ACCOMPANYING **NOTICE OF 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 Fifth Annual General Meeting.

# ADMINISTRATIVE GUIDE FOR THE FIFTH ANNUAL GENERAL MEETING (“FIFTH AGM”)

**Date** : 13 August 2020  
**Time** : 11.00 a.m.  
**Venue** : Conference 1, Level 2, Weil Hotel, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan

## 1. SAFETY MEASURES IN LIGHT OF THE COVID-19 OUTBREAK

The Company takes the well-being of employees, shareholders, customers, suppliers and service providers seriously. As a precautionary measure, we will be conducting temperature checks on all persons upon arrival at the Fifth AGM venue.

If you have travelled overseas in the past 14 days prior to the date of the Fifth AGM or have been in contact with a Covid-19 affected person or if you are unwell with sore throat, flu, fever, cough, aches and pains, nasal congestion, runny nose, diarrhea or shortness of breath, please quarantine yourself at home. You are strongly advised to appoint a proxy or the Chairman of the meeting to attend and vote at the Fifth AGM on your behalf.

The Company reserves the right to deny entry to anyone with a temperature of 37.5 degrees Celsius or higher and/or showing symptoms of respiratory illness such as coughing and sneezing.

## 2. ELIGIBILITY TO ATTEND BASED ON THE RECORD OF DEPOSITORS

Only a shareholder whose name appears on the Record of Depositor as at 4 August 2020 shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf.

## 3. APPOINTMENT OF PROXY

A shareholder who is unable to attend the Fifth AGM on 13 August 2020 may appoint proxy and indicate the voting instructions in the proxy form. Please deposit the proxy form with the Company's 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

The last date and time for lodging the proxy form is Tuesday, 11 August 2020 at 11.00 a.m.

## 4. PRE-REGISTRATION TO ATTEND THE AGM

Shareholders are required to register ahead of the Fifth AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants.

Please read and follow the procedures to pre-register your physical attendance at the Fifth AGM via the TIH Online website at <https://tiah.online>:

- Login to TIH Online website with your user name (i.e. e-mail address) and password under the “**e-Services**”. If you have not registered as a user of TIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
- Select the corporate event: “**(REGISTRATION) EVERSAFE 5TH AGM**”.
- Read and agree to the Terms & Conditions and confirm the Declaration.
- Select “**Register for Physical Attendance at Meeting Venue**”.
- Review your registration and proceed to register.
- System will send an e-mail to notify that your registration for Physical Attendance at Meeting Venue is received and will be verified.
- After verification of your registration against the General Meeting Record of Depositors, the system will send you an e-mail after 11 August 2020 to approve or reject your registration to attend physically at the Meeting Venue.

# ADMINISTRATIVE GUIDE FOR THE FIFTH **ANNUAL GENERAL MEETING (“FIFTH AGM”)**

Please note that only a depositor whose name appears on the Record of Depositor as at **4 August 2020** shall be entitled to attend or appoint proxies to attend and/or vote on his/her behalf at the Fifth AGM.

## **ENQUIRY**

If you have any enquiry prior to the meeting, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

### **Tricor Investor & Issuing House Services Sdn. Bhd.**

General Line : +603-2783 9299

Fax Number : +603-2783 9222

Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

Contact persons : Ms Christine Cheng  
+603-2783 9265 / [Christine.Cheng@my.tricorglobal.com](mailto:Christine.Cheng@my.tricorglobal.com)

Mr Ang Wai Meng  
+603-2783 9281 / [Wai.Meng.Ang@my.tricorglobal.com](mailto:Wai.Meng.Ang@my.tricorglobal.com)

# FORM OF PROXY

**EVERSAFE RUBBER BERHAD [201501008542 (1133877-V)]**  
(Incorporated in Malaysia)

CDS Account No.	No. of Shares Held

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

NRIC No./Company No. \_\_\_\_\_ 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 Fifth Annual General Meeting of the Company to be held at Conference 1, Level 2, Weil Hotel, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan on Thursday, 13 August 2020 at 11.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1 – Re-election of Tan Sri Dato' Dr. Sak Cheng Lum as Director		
Ordinary Resolution 2 – Re-election of Mr Ng Meng Kwai as Director		
Ordinary Resolution 3 – Re-election of Ms Ong Beow Chieh as Director		
Ordinary Resolution 4 – Approval of Directors' fees for the financial year ending 31 December 2020		
Ordinary Resolution 5 – Approval of Directors' benefits for the period from 1 July 2020 to 30 June 2021		
Ordinary Resolution 6 – Re-appointment of BDO PLT as Auditors		
Ordinary Resolution 7 – Authority for Directors to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Ordinary Resolution 8 – 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 \_\_\_\_\_ 2020.

\_\_\_\_\_  
Signature/ Common Seal of Shareholder(s)

**NOTES:-**

- A member of a company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at a meeting of members of the company.
- A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- A Member of the Company, including an Authorised Nominee or an Exempt Authorised Nominee, who is entitled to attend and vote at meeting of the Company, or at a meeting of any class of members of the Company, may appoint one or more proxies to attend and vote instead of the member at the meeting.
- Where a member appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing (in common or usual form) under the hand of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorized.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time 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.
- For the purpose of determining a member who shall be entitled to attend the Fifth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd to issue a General Meeting Record of Depositors ("ROD") as at 4 August 2020. 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  
STAMP

**EVERSAFE RUBBER BERHAD**  
**[201501008542 (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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**EVERSAFE RUBBER BERHAD** [201501008542 (1133877-V)]

Lot 94, Portland Avenue,  
Tasek Industrial Estate,  
31400 Ipoh, Perak, Malaysia  
Tel : +605 291 0599 | Fax : +605 291 1699  
Email : [enquiry@eversafe.com.my](mailto:enquiry@eversafe.com.my)