



EVERSAFE RUBBER BERHAD

[201501008542 (1133877-V)]



ANNUAL REPORT 2020

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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)

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

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

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

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

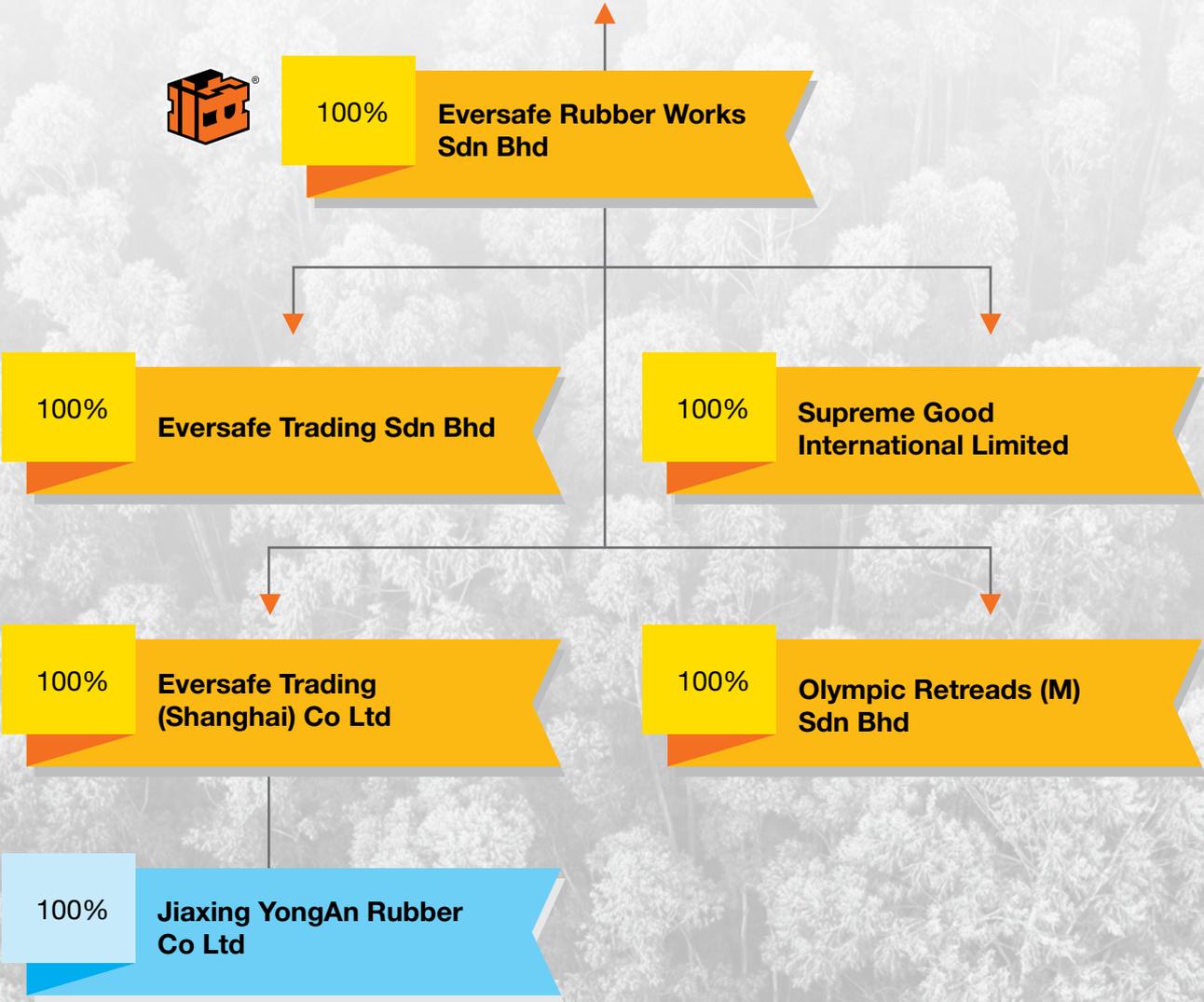
ACE Market of Bursa Securities
Berhad
Stock Code: 0190
Stock Name: ESAFE

CORPORATE STRUCTURE



EVERSAFE RUBBER

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



GROUP FINANCIAL HIGHLIGHTS

Group	Financial year ended			
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Revenue	103,356	116,614	112,263	90,773
Gross profit ("GP")	18,650	18,457	15,834	16,609
Profit before taxation ("PBT")	4,138	1,993	1,344	1,197
Profit after tax ("PAT") / Profit attributable to the owners of Company	3,397	1,622	847	431
Earnings before interests, taxes, depreciation and amortisation	11,833	9,753	6,196	5,943
Total equity attributable to owners of the Company	62,465	61,716	60,311	68,400
Earnings per share ⁽¹⁾ (sen)	1.4	0.7	0.4	0.2
Dividends per share ⁽¹⁾ (sen)	1.0	-	1.8	1.8
Net assets ("NA") per share ⁽¹⁾ (sen)	26.0	25.7	25.1	28.4
GP margin ⁽²⁾ (%)	18.0	15.8	14.1	18.3
Net profit margin ⁽³⁾ (%)	3.3	1.4	0.8	0.5
Return on equity attributable to owners of Company ⁽⁴⁾ (%)	5.4	2.6	1.4	0.6
Return on total assets ⁽⁵⁾ (%)	3.1	1.5	0.9	0.4

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



Sitting from left to right :

- 1 | **Eu Ah Seng**
(Executive Director)
- 2 | **Tan Sri Dato' Dr. Sak Cheng Lum**
("Tan Sri Dato' Dr. Sak")
(Independent Non-Executive Chairman)
- 3 | **Dato' Seri Cheah Eu Kiat**
("Dato' Seri Cheah")
(Executive Director)

Standing from left to right :

- 1 | **Cheah Eu Lee**
*(Non-Independent
Non-Executive Director)*
- 2 | **Ong Beow Chieh**
(Independent Non-Executive Director)
- 3 | **Ng Meng Kwai**
*(Senior Independent
Non-Executive Director)*
- 4 | **Haji Mohd Isa Bin Haji Talib**
(Independent Non-Executive Director)
- 5 | **Cheah Siang Tee**
*(Chief Executive Officer/
Executive Director)*

PROFILE OF DIRECTORS



Independent Non-Executive Chairman

Aged: 77
Nationality: Malaysian
Gender: Male

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

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

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

Currently, he serves as chairman of the University Tunku Abdul Rahman 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 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.



Executive Director

Aged: 71
Nationality: Malaysian
Gender: Male



EU AH SENG

Executive Director

Aged: 79
Nationality: Malaysian
Gender: 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.

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.



CHEAH SIANG TEE

*Chief Executive Officer /
Executive Director*

Aged: 45
Nationality: Malaysian
Gender: Male

PROFILE OF DIRECTORS

cont'd



CHEAH EU LEE

Non-Independent Non-Executive Director

Aged: 63
Nationality: Malaysian
Gender: 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.

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.

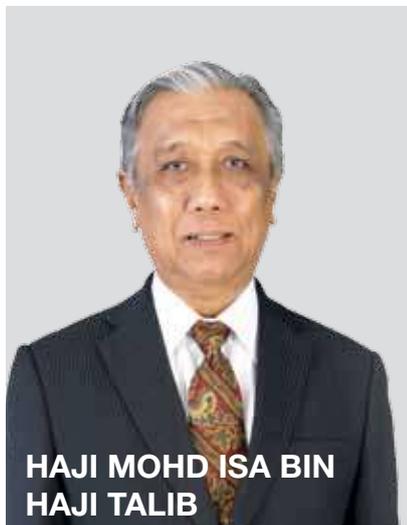
Apart from Eversafe Rubber, he is not a director of any other public companies and he does not sit on any other boards.



NG MENG KWAI

Senior Independent Non-Executive Director

Aged: 69
Nationality: Malaysian
Gender: Male



**HAJI MOHD ISA BIN
HAJI TALIB**

*Independent Non-Executive
Director*

Aged: 78
Nationality: Malaysian
Gender: 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.

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.



ONG BEOW CHIEH

*Independent Non-Executive
Director*

Aged: 49
Nationality: Malaysian
Gender: Female

PROFILE OF DIRECTORS

cont'd

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 2020.
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 71, 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 55, 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 57, 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

cont'd

EU HONG LIM *Export Sales Manager*

Mr. Eu Hong Lim, Malaysian, male, aged 44, 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 58, 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 2020.
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 2020.

HIGHLIGHTS

The events of 2020, the outbreak of the COVID-19 pandemic and its subsequent effects, had many of the world's business leaders in uncharted waters. This also rings true for us at Eversafe Rubber as we had to re-evaluate business strategies, and revisit our business processes to adapt to the new normal. During the implementation of the Movement Control Order (“MCO”) in the middle of March 2020, the Company had to shut down operations for almost one and half months which affected our production volume resulting in a decrease of revenue.

On the positive side, this pandemic has imposed the need for companies like us to be more cost efficient, and innovate new technological solutions that will enhance performance without compromising health and safety standards. All affected employees quickly adapted to the digital environment and complied with the work-from-home policy introduced by the government before the Company recommenced operations. Upon recommencement of business, the Company implemented recommended COVID-19 standard operating procedures including one-metre physical distancing, daily temperature checks,

mandatory use of face masks as well as temporary travel ban.

Despite the challenging year and general economic condition, the Company continues to serve our customers to the best of our ability while also creating a sustainable future. In line with this, we have installed solar panels at our wholly-owned subsidiaries Eversafe Rubber Works Sdn. Bhd. and Olympic Retreads (M) Sdn. Bhd.

PERFORMANCE REVIEW

For the FYE 31 December 2020, our Group recorded a revenue of approximately RM103.36 million, which translates into a decrease of approximately RM13.25 million or 11% as compared to the preceding financial year. The decrease in revenue was mainly due to the decrease in sales of tyre retreading materials resultant from the impact of the COVID-19 pandemic.

At the same time, our Group also generated a Profit Before Tax (“PBT”) of approximately RM4.14 million, an increase of approximately RM2.15 million or a 108% from the previous financial year as a result of higher gross profit margin.

CHAIRMAN'S STATEMENT

cont'd

DIVIDEND

As a token of our gratitude to the shareholders, the Board had declared an interim single-tier dividend of 1.0 sen per ordinary share, amounting to RM2.41 million in respect of FYE 31 December 2020 paid on 18 December 2020.

PROSPECTS

The spread of COVID-19 had resulted in ripple effects across the world which included severe economic downturns and lockdowns which ultimately upended the way we live and work. As restrictions on travel were imposed and consumer patterns changed, we see more and more consumers migrating to digital platforms including adapting to the work-from-home policy to live in the new normal.

The restriction of mobility in this post-Covid-19 times has definitely changed the landscapes for the transportation industry. The pandemic has caused high global unemployment rates which caused less consumption in automotive equipment sales including tyres. In late 2019, the tyre market was predicted to grow at a 3% compound annual rate from 2019 through 2024 with the market value expected to grow from USD239 billion to USD280 billion in the same period. In view of the impact of COVID-19 on the global tyres market, little recovery is expected from 2020 to 2021 with real recovery expected to begin in 2022. However, we are cautiously optimistic that we would record a satisfactory performance during this recovery period.

In order to cushion the impact, we had also taken necessary steps to mitigate the effects and challenges of the COVID-19 pandemic at the global and domestic levels. These include tighter cost and credit control. In addition to this, we will also continue to break into new export markets for our products.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to convey our gratitude and special appreciation to our shareholders, who have been supportive throughout the years. On top of that, I would also like to express our appreciation to Mercury Securities Sdn. Bhd., whose tenure of sponsorship had ended on 31 December 2020, for their contribution for the past three years. Our appreciation also goes to our suppliers, bankers, and customers for your continuous support. Most importantly, to the Management and staff of Eversafe Rubber Berhad, we thank you for your dedication, cooperation and trust especially in navigating these unprecedented times. We firmly believe that, despite the shifting macro environment and operating landscape, Eversafe Rubber's long-standing experience, and outstanding talent will weather through this challenging period together.

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 28 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

cont'd

3. Camelbacks



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

4. Cushion gums



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

5. Repair ropes



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

6. Sidewall veneers



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

7. Orbitreads



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

cont'd

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

2020 was a year of challenge for the Group, as it was for the rest of the world. Due to the breakout of the coronavirus which was characterised as a pandemic by the World Health Organisation on 11 March 2020, the world responded with lockdowns which changed the fundamentals of the world as we know it. We are now thinking, buying, consuming and living life differently.

Not only that, the lockdowns resulted in the collapse of activity at a magnitude and speed never seen before. In Malaysia, the Movement Control Order ("MCO") was implemented in March 2020 as a containment measure, during which, our operations were closed for a month and a half. We implemented mitigatory measures upon resumption of our business including tighter cost and credit control.

In line with our goal to increase our market share and presence, we continue to offer top-notch products and services to all our customers which can generate customer loyalty, and also result in more referrals in the future.

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 2019 and 2020:

	FYE 31 December 2020 RM'000	FYE 31 December 2019 RM'000
Revenue	103,356	116,614
Gross profit ("GP")	18,650	18,457
Profit before taxation ("PBT")	4,138	1,993
Profit after taxation ("PAT")	3,397	1,622
Net assets ("NA")	62,465	61,716
Total assets	108,836	107,702
Borrowings	26,775	25,978
Hire purchase with financial institutions	6,178	6,598
Gearing (times)	0.4	0.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

cont'd

	FYE 31 December 2020 RM'000	FYE 31 December 2019 RM'000
Earnings per share ⁽¹⁾ (sen)	1.4	0.7
Dividend per share (RM)	1.0	-
NA per share ⁽¹⁾ (sen)	26.0	25.7

Note:

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

For the financial year under review, our Group's revenue decreased to approximately RM103.4 million from RM116.6 million in the previous financial year, representing a decrease of approximately RM13.2 million or 11%. The decrease in our Group's revenue was mainly attributable to the decrease in the sales of tyre retreading materials due to the impact of the COVID-19 pandemic. Further analysis of our Group's revenue for the FYE 31 December 2019 and 2020 by geographical locations is illustrated below:

	FYE 31 December 2020 RM'000	FYE 31 December 2019 RM'000
Malaysia	27,576	33,927
South East Asia (excluding Malaysia)	39,270	37,863
East Asia and Oceania	25,121	33,715
South Asia, Middle East and Africa	5,648	5,485
Americas	1,596	1,049
Europe	4,145	4,575
Total	103,356	116,614

Meanwhile, our Group's GP also recorded a slight increase of approximately RM0.2 million or 1% to approximately RM18.7 million from RM18.5 million in the previous financial year. The increase in GP was due to the gain from higher gross profit margin as a result of cost cutting measure of the Group.

At the same time, our Group's PBT had increased by approximately RM2.1 million or 105% for the financial year under review from RM2.0 million in the previous financial year to approximately RM4.1 million for the FYE 31 December 2020. The increase in our Group's PBT was mainly attributable to higher operating income and reduction in distribution cost as a result of grant subsidy received and cost cutting measures of the Group.

As at 31 December 2020, our Group's total assets had increased to approximately RM108.8 million as compared to RM107.7 million in the previous financial year. Our Group's total assets had recorded an increase due to the increase in inventories and other receivables, deposits and prepayments of approximately RM2.5 million and RM1.2 million from RM18.4 million and RM1.8 million respectively in the previous financial year. As a result, our Group's net assets had increased from RM61.7 million to RM62.5 million as at 31 December 2020.

The increase in our Group's borrowings, mainly due to the increase in bank overdrafts and term loans used for our Group's operations, had increased from RM26.0 million in the previous financial year to RM26.8 million as at 31 December 2020. Notwithstanding the increase in borrowings, the management is of the opinion that based on the gearing of 0.4 times as at 31 December 2020, the debt levels of our Group remains manageable.

MANAGEMENT'S DISCUSSION AND ANALYSIS

cont'd

A summary of our Group's cash flow position for the FYE 31 December 2019 and 2020 is illustrated below:

	FYE 31 December 2020 RM'000	FYE 31 December 2019 RM'000
Net cash generated from operating activities	7,824	9,378
Net cash used in investing activities	(5,199)	(408)
Net cash used in financing activities	(9,464)	(1,527)
Net increase/(decrease) in cash and cash equivalents	(6,839)	7,443
Cash and cash equivalent at the beginning of the year	13,335	5,902
Cash and cash equivalent at the end of the year	6,568	13,335

During the financial year under review, our Group was in a positive net cash position for its operating activities of RM7.8 million. This was mainly due to high operating profit made 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 withdrawal of deposits with licensed banks offset with purchase of property, plant and equipment. Our Group's net cash used in financing activities of RM9.5 million for the FYE 31 December 2020 was mainly attributable to the dividend paid of RM2.4 million and the repayment of term loans, bankers' acceptance and onshore foreign currency loan of RM3.7 million and repayment of hire purchase and lease liabilities of RM2.5 million. This has resulted in a net decrease of our cash and cash equivalents for the financial year under review which stood at RM6.8 million. Our Board of Directors and management do not anticipate any plans for our Group or major capital expenditure which would have a significant effect on future cash flows.

The said net current asset position of our Group for the FYE 31 December 2019 and 2020 is illustrated below:

	FYE 31 December 2020 RM'000	FYE 31 December 2019 RM'000
Current Assets		
Inventories	20,923	18,419
Trade receivables	20,892	22,496
Other receivables, deposits and prepayments	2,958	1,778
Amounts owing by related parties	369	489
Current tax assets	310	497
Placement in funds	9,080	7,206
Cash and bank balances	9,675	12,049
Total current assets	64,207	62,934
Current Liabilities		
Trade payables	5,281	6,165
Other payables and accrued expenses	3,394	2,960
Amounts owing to related parties	41	41
Amounts owing to Directors	222	114
Borrowings	22,350	22,096
Hire purchase and lease liabilities	2,225	1,892
Total current liabilities	33,513	33,268
Net Current Assets	30,694	29,666

Our Group's net current assets position for the FYE 31 December 2020 had increased from RM29.7 million in the previous financial year to RM30.7 million, representing an increase of RM1.0 million or 3%. This increase was due to the increase in inventories and other receivables, deposits and prepayments. 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 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

cont'd

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

Globally, the year 2020 saw nation economies brought to a near standstill, which resulted in businesses struggling to stay afloat, unemployment rates skyrocketing, and loss of trades and tourism.

Concurrent with the stay-in and travel restrictions, there has been a decrease in demand for tyres and tyre products. The soft market sentiment has been driven by the weakened economy, lack of consumer confidence and high global unemployment rates. However, as countries learnt to mitigate the impacts of the COVID-19 pandemic, combined with the development and distribution of the COVID-19 vaccines, the global markets, including the automotive and tyre industries, are hopeful of a recovery in the near future.

In late 2019, reports estimated the tyre industry sized at 2.36 billion units would grow at a 3% compound annual rate from 2019 through 2024. In 2024, the global industry tyre volume was expected to reach 2.75 billion units with the market value rising from USD239 billion to USD280 billion from 2019 to 2024. However, considering the impact of COVID-19 on the global tyre industry, little recovery is expected in 2021. In fact, real recovery is only forecasted to start in 2022.

In this period of uncertainty, there is still favourable growth opportunities anticipated in the Asian region as the region was the first economy to emerge from economic shutdown related to the coronavirus. This bodes well for the Group as more than 80% of its total revenue is generated from the Asian region.

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 2020 pursuant to Rule 15.26 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) as well as Principle B of the MCCG 2017.

BOARD’S RESPONSIBILITIES

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL PROCESS

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

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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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 2021 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 2020 was RM38,523.

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 2020. 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.

To further enhance the risk management process within our Group and pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009, our Board has also adopted the Anti-Bribery and Anti-Corruption Policy on 13 August 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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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.

Based on the assessment and information available at the date of authorization of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next twelve months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continue to monitor its fund and operational needs.

This Statement on Risk Management and Internal Control has been approved by the Board of Eversafe Rubber Berhad on 15 April 2021.

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 4 meetings were held during the financial year ended 31 December 2020. 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	4/4
Tan Sri Dato’ Dr Sak Cheng Lum	4/4
Haji Mohd Isa Bin Haji Talib	4/4

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.

AUDIT COMMITTEE REPORT

cont'd

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met 4 times during the financial year ended 31 December 2020 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 2020 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 26 April 2021 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 26 April 2021 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

cont'd

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 2020, 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 15 April 2021.

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 2020. 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.

The Corporate Governance Report is available for download from the Company’s website at www.eversafe.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

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

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

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

Board Charter

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Board Charter (continued)

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

Types of Meetings	Number of Meetings
Board of Directors	4
Audit Committee	4
Nominating Committee	1
Remuneration Committee	1

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

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

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

Code of Conduct and Whistleblowing Policy

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

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

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

Audit Committee Chairman / Company Secretaries
Eversafe Rubber Berhad
41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak
Malaysia
Email: whistleblow@eversafe.com.my

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (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

cont'd

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, 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

cont'd

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.

	Company		Subsidiaries				Total RM'000
	Fees RM'000	Fees RM'000	Salary RM'000	Bonus RM'000	Benefits- in-kind RM'000	Others RM'000	
2020							
Executive Directors							
Dato' Seri Cheah Eu Kiat	30	35	205	–	28	84	382
Eu Ah Seng	30	15	171	–	17	77	310
Cheah Siang Tee	30	35	358	–	24	131	578
Non-Executive Directors							
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

cont'd

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 4 Board meetings held during the financial year ended 31 December 2020, with details of Directors' attendance set out below:

Name of Director	Attendance
Tan Sri Dato' Dr. Sak Cheng Lum	4/4
Dato' Seri Cheah Eu Kiat	4/4
Eu Ah Seng	3/4
Cheah Siang Tee	4/4
Cheah Eu Lee	4/4
Haji Mohd Isa Bin Haji Talib	4/4
Ng Meng Kwai	4/4
Ong Beow Chieh	4/4

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

cont'd

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 2020 are as follows:

Name of Director	Conferences, Seminars and/or Training
Tan Sri Dato' Dr. Sak Cheng Lum	Valuation and Financial Modeling Training
Dato' Seri Cheah Eu Kiat	Valuation and Financial Modeling Training
Eu Ah Seng	Valuation and Financial Modeling Training
Cheah Siang Tee	Valuation and Financial Modeling Training
Cheah Eu Lee	Valuation and Financial Modeling Training
Ng Meng Kwai	<ul style="list-style-type: none">• MIA Webinar Series: Valuation in Practice for Transactions and Reporting: Part 2 – Valuation for Business Combination• MIA Webinar Series: Audit Quality Enhancement Programme for SMPs• Virtual Awareness Programme on MFRS Application and Implementation Committee (MAIC)• 2021 Budget Seminar• MIA Complimentary Webinar: Applying Ethics during the Pandemic and Beyond
Haji Mohd Isa Bin Haji Talib	Valuation and Financial Modeling Training
Ong Beow Chieh	<ul style="list-style-type: none">• Unravelling the Trademarks Act 2019• Earning MACC's Trust – Implementing an Effective Anti-Bribery and Corruption Framework• Valuation and Financial Modeling Training

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

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

Audit Committee

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

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

The detailed composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of page 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

cont'd

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 15 April 2021.

CORPORATE SUSTAINABILITY STATEMENT

We at Eversafe Rubber Berhad (“**Eversafe Rubber**” or our “**Company**”) and our subsidiaries (“**Group**”) recognise the importance of continuously developing and improving the business operations of the Group in a sustainable and responsible manner. We believe that placing sustainability as the core of our business operations will drive the long-term business growth of the Group as well as establishing mutually favourable relationships with our stakeholders.

As a result, we are committed to continuously promote good sustainability practices, and engage openly and responsively with the Group’s stakeholders through transparent sustainability reporting. As stakeholder engagement plays an important role to ensure the businesses pursued by the Group are sustainable in the long term, we aim to provide our stakeholders with a better understanding of the Group’s approach to create sustainable long-term value for our stakeholders.

SUSTAINABILITY GOVERNANCE

Sustainability is embedded in our organisational approach and is led from the top. Our Board plays a vital guidance and oversight role in advancing our Group’s sustainability initiatives across the organisation with the assistance from the Management to oversee the implementation of the sustainability initiatives.

ENVIRONMENTAL ASPECTS

We are committed to enhancing our environmental practices so as to minimise adverse environmental impact resulting from our business activities. In order to manage this, we strive to comply with the relevant laws and regulations.

Action has been taken to reduce the overall energy consumption in our premises. For a start, we have installed solar panels at our factories in 2020. The Management has initiated provision of reminders to switch off lighting, air-conditioner and other electronic devices such as computers, photocopiers, and scanners amongst others when not in use. On top of that, to ensure our business is operating in an environmentally responsible manner, we have encouraged all personnel to minimise wastages by channelling waste cables and other materials to recycling centres. In fact, as our Group is in the business of the production of retreaded tyres, excess material is reused in the production of our Group’s products. Paper recycling initiatives have also been implemented amongst our employees and our stakeholders where they are encouraged to prioritise electronic means to share and store documents, and to reduce printing or photocopying whenever possible. Otherwise, all waste papers and envelopes are segregated by the respective department for re-using purposes.

HUMAN RESOURCE ASPECTS

We are aware of the importance of motivating our employees as a motivated workforce results in a highly productive staff, all of which will help us achieve our business goals. As such, the Group has throughout the years nurtured our employees’ talents and safeguarded their welfare by providing opportunities for growth, succession planning while providing a safe and health workplace.

We implemented mandatory health and safety policies with the aim of achieving zero work-related injuries and illnesses. On top of this, necessary tools and protective gear were 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. In 2020, we recorded 3 cases of work-related injuries and illnesses. On top of that, in our efforts to manage the outbreak of the Covid-19 pandemic, we had also implemented several preventive measures such as daily temperature records, mandatory usage of face masks, and mandatory one-metre physical distancing amongst others. For the year under review, we recorded zero Covid-19 cases amongst our employees.

Our talent pool is made up of individuals with differing experience, skills and industry background who all contribute to our competitive success in the marketplace which is vital for the sustainability of our business. We believe in the benefits that can be derived from different perspectives, and positively embrace diversity as a key component of our human development agenda. Therefore, we do not discriminate against any race or gender. For the year under review, our Group has 211 employees.

CORPORATE SUSTAINABILITY STATEMENT

cont'd

HUMAN RESOURCE ASPECTS (CONTINUED)

Driven by our need to develop our employees for the continuing growth and success of the business, we proactively provide training and development opportunities to enhance their knowledge, sharpen their skills and broaden their work experience and exposure. In 2020, our employees were provided with upskilling and reskilling opportunities as well as incentives in the form of bonus and promotions to our employees. Succession planning for critical and leadership roles is vital to our long-term performance, hence our management team has continued to be proactive in identifying potential leadership candidates for further mentorship, aligned with the employees' aspirations and needs of the Company.

In addition, we also encourage and foster a balanced work-life culture that caters to our employees' physical and emotional needs. A balanced work-life policy helps attract better recruits and talents which in turn leads to better retention of qualified employees, better employee morale and overall productivity.

SOCIAL ASPECTS

As a business organisation, we are deeply rooted in the community we operate in and we actively engage in community outreach programmes and activities. We are proud to have the privilege of serving various segments of the community to provide for social empowerment and help make a positive difference for people across all walks of life.

We are also aware of the importance of building up the local community and to provide a platform and opportunities for the upcoming generation to succeed. For this purpose, we prioritise hiring local talents as we strive to elevate the economic conditions of the local community. On top of this, we are also always on the lookout for students to join us as interns. Interns at our Group were exposed to first-hand experience of the industry, and at the same time, develop their personal skills in preparation for full-time employment after graduation. For the year under review, we provided 2 internship placements to students from local universities.

As a Group, we advocate forging closer working relationships to promote understanding and encourage integration amongst our employees and to this end, social activities such as group lunches and dinners as well as monthly birthday celebration were organised. However, due to the outbreak of the Covid-19 pandemic, all group celebrations were halted for the time being.

MARKETPLACE ASPECTS

Good governance is the bedrock of our business, led by ethical business practices and integrity. As a sign of respect and gratitude, our Group is committed to see that all our stakeholders' interests are taken care of and opinions are taken into consideration in a fair and impartial manner while in full compliance of the laws and regulations. In regards to this, we have in place our Code of Conduct which requires all employees to observe the highest ethical business standards, and to apply all these values to all aspects of the Group's business and its stakeholders.

We had also adopted a Whistleblowing Policy which provides an avenue for employees and external parties to report actual or suspected malpractice, misconduct or violations of the Group's policies and regulations in a safe and confidential manner.



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 Company did not raise funds through any corporate proposals during the financial year.

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	54	90	–	15
Non-audit fees				
- Fees for other services	–	4	–	4
Total	54	94	–	19

The paid amounts above are in relation to the fees incurred for the FYE 31 December 2020 which were paid during the financial year under review. The payable amounts are all in relation to fees incurred but not paid during the financial year under review.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS’ INTEREST

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

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

In preparing the financial statements for the financial year ended 31 December 2020, 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 15 April 2021.



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Profit for the financial year, attributable to owners of the parent	3,397,335	2,535,037

DIVIDEND

Dividend declared and paid since the end of the previous financial year was as follows:

	Company RM
In respect of financial year ended 31 December 2020:	
Interim single tier dividend of 1.0 sen per ordinary share, paid on 18 December 2020	2,405,938

The Directors do not recommend any payment of final dividend for the financial year ended 31 December 2020.

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' REPORT

cont'd

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Eversafe Rubber Berhad

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

Subsidiaries of Eversafe Rubber Berhad

Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.
Eu Ah Seng
Cheah Eu Lee
Cheah Siang Tee
Sang Ah Weng
Eu Hong Lim

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2020 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 1.1.2020	Bought	Sold	Balance as at 31.12.2020
Shares in the Company				
<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	-	(12,000,000)	4,707,350
Cheah Eu Lee	1,000,000	540,000	-	1,540,000
Cheah Siang Tee	700,000	50,000	-	750,000
<u>Indirect interests:</u>				
Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP.	116,893,546	243,900	-	117,137,446 ⁽¹⁾
Eu Ah Seng	-	12,000,000	-	12,000,000 ⁽²⁾

(1) Held through another body corporate and by daughter

(2) Held through another body corporate

DIRECTORS' INTERESTS (CONTINUED)

By virtue of Dato' Seri Cheah Eu Kiat, DGPN. DSPN. PJK. JP. substantial interests in the shares of the Company, he 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

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors and Officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors and Officers.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and Officers of the Group are RM1,750,000 and RM6,000 respectively.

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

DIRECTORS' REPORT

cont'd

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

(III) AS AT THE DATE OF THIS REPORT

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year 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 Company and its subsidiaries for the financial year ended 31 December 2020 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
15 April 2021

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 51 to 104 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 2020 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
15 April 2021

STATUTORY DECLARATION

I, Cheah Siang Tee, being the Director primarily responsible for the financial management of Eversafe Rubber Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 104 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 15 April 2021)

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 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 104.

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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 2020 were RM28,680,516 and the associated impairment losses of trade receivables were RM5,936,952 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVERSAFE RUBBER BERHAD

cont'd

Key Audit Matters (continued)

Group (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, incorporating the impact of the COVID-19 pandemic, 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 2020, 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 rate 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 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 and growth rate 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
cont'd

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

cont'd

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 ISAs, 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, actions taken to eliminate threats or safeguards applied.

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
15 April 2021

Pang Zhi Hao
03450/09/2021 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
Note	2020 RM	2019 RM	2020 RM	2019 RM	
ASSETS					
Non-current assets					
Property, plant and equipment	5	42,777,820	43,599,368	3,360	4,200
Intangible asset	6	1	1	-	-
Investment in a subsidiary	7	-	-	53,633,995	53,633,995
Trade receivables	9	1,851,025	1,169,489	-	-
Amount owing by a subsidiary	11	-	-	2,641,911	4,475,767
		44,628,846	44,768,858	56,279,266	58,113,962
Current assets					
Inventories	8	20,923,098	18,419,090	-	-
Trade receivables	9	20,892,539	22,495,848	-	-
Other receivables, deposits and prepayments	10	2,957,901	1,778,037	2,000	2,115
Amount owing by a subsidiary	11	-	-	792,772	-
Amounts owing by related parties	12	368,801	489,234	-	-
Current tax assets		310,203	496,622	3,000	12,750
Placement in funds	13	9,079,678	7,206,355	7,579,678	7,206,355
Cash and bank balances	13	9,674,924	12,048,315	804,382	4,691
		64,207,144	62,933,501	9,181,832	7,225,911
TOTAL ASSETS		108,835,990	107,702,359	65,461,098	65,339,873
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	65,428,449	65,428,449	65,428,449	65,428,449
Reserves	15	(2,963,644)	(3,711,997)	13,755	(115,344)
TOTAL EQUITY		62,464,805	61,716,452	65,442,204	65,313,105

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

cont'd

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	16	4,172,298	4,129,299	-	-
Borrowings	17	4,424,581	3,881,954	-	-
Hire purchase and lease liabilities	20	3,952,484	4,706,853	-	-
Government grant	25	309,157	-	-	-
		12,858,520	12,718,106	-	-
Current liabilities					
Trade payables	21	5,280,604	6,164,630	-	-
Other payables and accrued expenses	22	3,394,224	2,960,418	18,894	26,768
Amounts owing to related parties	23	40,804	41,321	-	-
Amounts owing to Directors	24	221,488	114,116	-	-
Borrowings	17	22,350,170	22,095,781	-	-
Hire purchase and lease liabilities	20	2,225,375	1,891,535	-	-
		33,512,665	33,267,801	18,894	26,768
TOTAL LIABILITIES		46,371,185	45,985,907	18,894	26,768
TOTAL EQUITY AND LIABILITIES		108,835,990	107,702,359	65,461,098	65,339,873

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 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	26	103,355,966	116,613,906	2,998,500	–
Cost of sales		(84,705,853)	(98,156,914)	–	–
Gross profit		18,650,113	18,456,992	2,998,500	–
Other operating income		1,628,397	744,705	–	–
Distribution costs		(6,768,871)	(7,787,394)	–	–
Administrative expenses		(7,154,146)	(7,485,292)	(462,885)	(536,764)
Other operating expenses		(1,171,464)	(603,100)	(126,632)	(121,735)
Profit/(Loss) from operations		5,184,029	3,325,911	2,408,983	(658,499)
Finance income	28	303,216	384,678	126,054	187,052
Finance costs	28	(1,349,744)	(1,717,576)	–	–
Profit/(Loss) before tax	29	4,137,501	1,993,013	2,535,037	(471,447)
Tax expense	31	(740,166)	(370,893)	–	(1,916)
Profit/(Loss) for the financial year, attributable to owners of the parent		3,397,335	1,622,120	2,535,037	(473,363)
<i>Other comprehensive (loss)/income:</i>					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translations, net of tax		(243,044)	24,000	–	–
Total comprehensive income/(loss) attributable to owners of the parent		3,154,291	1,646,120	2,535,037	(473,363)
Earnings per ordinary share attributable to owners of the parent (sen):					
- Basic and diluted	32	1.41	0.67		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Share capital RM	Capital reserve RM	Foreign currency translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2019	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

Group	Note	Share capital RM	Capital reserve RM	Foreign currency translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2020		65,428,449	7,104	(1,087,447)	(36,914,958)	34,283,304	61,716,452
Profit for the financial year		-	-	-	-	3,397,335	3,397,335
Other comprehensive loss, net of tax		-	-	(243,044)	-	-	(243,044)
Total comprehensive (loss)/income		-	-	(243,044)	-	3,397,335	3,154,291
Transaction with owners:							
Dividend paid	33	-	-	-	-	(2,405,938)	(2,405,938)
Total transaction with owners		-	-	-	-	(2,405,938)	(2,405,938)
Balance as at 31 December 2020		65,428,449	7,104	(1,330,491)	(36,914,958)	35,274,701	62,464,805

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	Note	Share capital RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
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
Balance as at 1 January 2020		65,428,449	(115,344)	65,313,105
Profit for the financial year		–	2,535,037	2,535,037
Other comprehensive income, net of tax		–	–	–
Total comprehensive income		–	2,535,037	2,535,037
Transaction with owners: Dividend paid	33	–	(2,405,938)	(2,405,938)
Total transaction with owners		–	(2,405,938)	(2,405,938)
Balance as at 31 December 2020		65,428,449	13,755	65,442,204

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		4,137,501	1,993,013	2,535,037	(471,447)
Adjustments for:					
Depreciation of property, plant and equipment	5	6,649,017	6,426,723	840	1,050
Dividend income from a subsidiary	26	–	–	(2,998,500)	–
Finance costs	28	1,349,744	1,717,576	–	–
Finance income	28	(303,216)	(384,678)	(126,054)	(187,052)
Gain on disposal of property, plant and equipment		(14,999)	(393)	–	–
Impairment loss on amount owing by a subsidiary	11	–	–	126,632	121,735
Impairment losses on trade receivables	9	944,202	306,031	–	–
Impairment losses on amount owing by related parties	12	14,325	–	–	–
Inventories written back	8	(6,055)	–	–	–
Inventories written down	8	–	27,450	–	–
Lease concession		(131,591)	–	–	–
Property, plant and equipment written off	5	18,368	3,669	–	–
Reversal of impairment losses on amounts owing by related parties	12	(56,748)	(9,539)	–	–
Reversal of impairment losses on other receivables	10	–	(6,013)	–	–
Reversal of impairment losses on trade receivables	9	(97,368)	(2,190)	–	–
Unrealised gain on foreign exchange		(478,577)	(590,421)	–	–
Operating profit/(loss) before changes in working capital		12,024,603	9,481,228	(462,045)	(535,714)

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

cont'd

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Operating profit/(loss) before changes in working capital		12,024,603	9,481,228	(462,045)	(535,714)
Changes in working capital:					
Inventories		(2,450,815)	(2,351,269)	–	–
Trade receivables		440,688	(253,355)	–	–
Other receivables, deposits and prepayments		(829,999)	1,098,816	115	11,397
Trade payables		(1,353,485)	1,150,238	–	–
Other payables and accrued expenses		376,286	161,213	(7,874)	(5,898)
Amounts owing by/to related parties		162,339	345,448	–	–
Amounts owing to Directors		109,512	(138,801)	–	–
Cash generated from/(used in) operations		8,479,129	9,493,518	(469,804)	(530,215)
Tax paid		(750,866)	(580,986)	(3,000)	(18,564)
Tax refunded		95,999	466,017	12,750	–
Net cash from/(used in) operating activities		7,824,262	9,378,549	(460,054)	(548,779)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received from a subsidiary	26	–	–	2,998,500	–
Interest received		303,216	384,678	126,054	187,052
Repayment from a subsidiary		–	–	914,452	2,500,000
Proceeds from disposal of property, plant and equipment		15,000	196,390	–	–
Purchase of property, plant and equipment	5	(2,018,730)	(897,432)	–	–
Net changes in deposits with licensed banks with maturity of over three (3) months		1,600,000	23,019	–	–
Net changes in deposits pledged as securities		(98,991)	(115,061)	–	–
Net changes in placement in funds with maturity of over three (3) months		(5,000,000)	–	(4,000,000)	–
Net cash (used in)/from investing activities		(5,199,505)	(408,406)	39,006	2,687,052

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

cont'd

	Note	2020 RM	Group 2019 RM	Company 2020 RM	2019 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	33	(2,405,938)	–	(2,405,938)	–
Government grant received	25	103,052	–	–	–
Interest paid		(944,390)	(1,275,294)	–	–
Net (repayments)/drawdowns of term loans, bankers' acceptances and onshore foreign currency loan		(3,741,719)	1,946,442	–	–
Repayments of hire purchase and lease liabilities		(2,474,580)	(2,198,083)	–	–
Net cash used in financing activities		(9,463,575)	(1,526,935)	(2,405,938)	–
Net (decrease)/increase in cash and cash equivalents		(6,838,818)	7,443,208	(2,826,986)	2,138,273
Effects of exchange rates changes on cash and cash equivalents		72,021	(10,543)	–	–
Cash and cash equivalents at beginning of financial year		13,335,136	5,902,471	7,211,046	5,072,773
Cash and cash equivalents at end of financial year	13(j)	6,568,339	13,335,136	4,384,060	7,211,046

Reconciliation of Liabilities Arising from Financing Activities

	2020 RM	Group 2019 RM
Term loans, bankers' acceptances and onshore foreign currency loan		
Balance as at 1 January	25,464,199	20,479,340
Cash flow	(3,741,719)	1,946,442
Non-cash flows:		
- purchase of property, plant and equipment	2,047,000	3,215,748
- effect of foreign exchange	(276,003)	(177,331)
Balance as at 31 December	23,493,477	25,464,199

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

cont'd

Reconciliation of Liabilities Arising from Financing Activities (continued)

	2020 RM	Group 2019 RM
Hire purchase and lease liabilities		
Balance as at 1 January	6,598,388	7,974,209
Cash flow	(2,474,580)	(2,198,083)
Non-cash flows:		
- purchase of property, plant and equipment	1,783,513	408,535
- unwinding of interest	405,354	442,282
- lease concessions	(131,591)	-
- effect of foreign exchange	(3,225)	(28,555)
Balance as at 31 December	6,177,859	6,598,388

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

NOTES TO THE FINANCIAL STATEMENTS

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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 2020 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 15 April 2021.

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 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.

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 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 and Amendments to MFRSs adopted during the financial year are disclosed in Note 40(a) to the financial statements.

The Group has also early adopted Amendment to MFRS 16 Covid-19 Related Rent Concessions in the current financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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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.

	2020 RM	Group 2019 RM
Revenue from external customers		
Malaysia	27,576,319	33,927,122
Americas	1,596,369	1,049,038
East Asia and Oceania	25,120,529	33,715,022
Europe	4,144,695	4,574,618
South Asia, Middle East and Africa	5,648,245	5,485,098
South East Asia	39,269,809	37,863,008
	103,355,966	116,613,906
Non-current assets		
Malaysia	40,586,242	39,656,141
East Asia and Oceania	4,042,604	5,112,717
	44,628,846	44,768,858

Major customer

There is only one (2019: one) major customer contributing approximately RM27,275,000 (2019: RM20,809,000) 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

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020	Balance as at 1.1.2020 RM	Depreciation charge for the financial year RM	Balance as at 31.12.2020 RM
Carrying amount			
Furniture, fixtures and office equipment	4,200	(840)	3,360
	← Balance as at 31.12.2020 →		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture, fixtures and office equipment	6,300	(2,940)	3,360
	← Balance as at 31.12.2019 →		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
2019			
Carrying amount			
Furniture, fixtures and office equipment	5,250	(1,050)	4,200
	← Balance as at 31.12.2019 →		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture, fixtures and office equipment	6,300	(2,100)	4,200

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Buildings	50 years
Plant and machinery	10 to 15 years
Factory equipment	10 years
Furniture, fixtures and office equipment	3 to 20 years
Electrical installation	5 to 20 years
Factory renovation	10 years
Signboards	10 years
Motor vehicles	5 to 10 years

Capital work-in-progress represents plant and machinery under installation. Capital work-in-progress is not depreciated until such time when the asset is available for use.

- (b) 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 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 periods are as follows:

Leasehold land	62 to 94 years
Buildings	2 to 7 years
Motor vehicles	5 to 10 years
Plant and machinery	10 years

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

	Group	
	2020 RM	2019 RM
Purchase of property, plant and equipment	5,849,243	4,521,715
Financed by term loans	(2,047,000)	(3,215,748)
Financed by hire purchase and lease liabilities	(1,783,513)	(408,535)
	<hr/>	
Cash payments on purchase of property, plant and equipment	2,018,730	897,432

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (d) 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 Note 18, Note 19 and Note 20 to the financial statements as follows:

	2020 RM	Group 2019 RM
Buildings	3,134,997	3,052,616
Plant and machinery	6,503,602	6,970,418
Right-of-use assets		
- leasehold land	1,060,552	1,079,372
- motor vehicles	1,122,704	1,661,150
- plant and machinery	1,574,302	-
	13,396,157	12,763,556

6. INTANGIBLE ASSET

	2020 RM	Group 2019 RM
Computer software		
At cost		
Balance as at 1 January/31 December	72,100	72,100
Accumulated amortisation		
Balance as at 1 January/31 December	72,099	72,099
Carrying amount		
Balance as at 31 December	1	1

Intangible asset is initially measured at cost. After initial recognition, intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

Each class of intangible asset with finite useful lives are measured after initial recognition at cost less accumulated amortisation and any accumulated impairment loss.

Amortisation is calculated to write down 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

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN A SUBSIDIARY

	Company	
	2020 RM	2019 RM
At cost		
Unquoted shares	53,633,995	53,633,995

- (a) Investment in a subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less any accumulated impairment loss.
- (b) Management reviews the investment in a subsidiary for impairment when there is an indication of impairment. The recoverable amount of the investment in a subsidiary is determined based on the value-in-use of the subsidiary. The value-in-use is the net present value of the projected future cash flows derived from the business operation of the subsidiary discounted at an appropriate pre-tax discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to support their income and cash flows. Significant judgements and estimates had also been used to determine the key assumptions applied to the cash flow projections, which includes the budgeted operating profit margin, growth rate and the appropriate pre-tax discount rate used for the subsidiary. Impairment loss is made when the carrying amount of the investment in a subsidiary exceed its recoverable amount.

The cash flow forecasts are based on budgets for the next seven (7) years, with various inputs and assumptions. The cash flows were probability weighted based on the following scenarios:

	Base case	Positive case	Negative case
Weighting	50.0%	20.0%	30.0%
Growth rate	11.0%	13.0%	5.0%
Pre-tax discount rate	9.6%	9.6%	9.6%

The sensitivity analysis of the impairment assessment to a reasonably possible change in each of the key inputs with all other variables held constant is not presented as it is not material to the Company.

Based on the annual impairment testing undertaken by the Company, no impairment loss was required for the carrying amount of investment in a subsidiary as at 31 December 2020 as its recoverable amount was in excess of its carrying amount.

- (c) In the previous financial year, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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7. INVESTMENT IN A SUBSIDIARY (CONTINUED)

(d) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2020 %	2019 %	
Eversafe Rubber Works Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of rubber based tyre retread products and provision of related services
Subsidiaries of Eversafe Rubber Works Sdn. Bhd.				
Eversafe Trading Sdn. Bhd.	Malaysia	100	100	Trading in rubber based tyre retreading products
Olympic Retreads (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing and distribution of retreaded tyres
Eversafe Trading (Shanghai) Co., Ltd.*	People's Republic of China	100	100	Trading in rubber based tyre retreading products
Supreme Good International Limited*	Hong Kong	100	100	Investment holding and manufacturing and distribution of retreaded tyres
Subsidiary of Eversafe Trading (Shanghai) Co., Ltd.				
Jiaxing YongAn Rubber Co., Ltd.*	People's Republic of China	100	100	Production and sales of rubber products and service of after sale of self-produced products

* Subsidiaries not audited by BDO PLT or BDO member firms.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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8. INVENTORIES

	2020 RM	Group 2019 RM
At cost		
Raw materials	9,224,591	7,100,133
Work-in-progress	1,730,773	2,487,521
Finished goods	9,936,595	8,799,791
	20,891,959	18,387,445
At net realisable value		
Raw materials	22,141	22,141
Finished goods	8,998	9,504
	31,139	31,645
	20,923,098	18,419,090

- (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 RM84,705,853 (2019: RM98,156,914).
- (c) In the current financial year, the Group reversed RM6,055 in respect of inventories written down in the previous financial years that was subsequently not required as the Group was able to sell those inventories above their carrying amounts.
- (d) In the previous financial year, write down of inventories recognised for the Group amounted to RM27,450.

9. TRADE RECEIVABLES

	2020 RM	Group 2019 RM
Non-current		
Trade receivables	2,753,125	1,602,318
Less: Accumulated impairment losses	(902,100)	(432,829)
	1,851,025	1,169,489
Current		
Trade receivables	25,927,391	27,086,359
Less: Accumulated impairment losses	(5,034,852)	(4,590,511)
	20,892,539	22,495,848
Total trade receivables	22,743,564	23,665,337

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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9. TRADE RECEIVABLES (CONTINUED)

- (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 (2019: 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) The currency exposure profile of gross trade receivables is as follows:

	2020 RM	Group 2019 RM
Ringgit Malaysia ("RM")	10,464,246	9,861,261
US Dollar ("USD")	9,194,976	8,027,774
Euro ("EUR")	2,406,836	2,008,328
Singapore Dollar ("SGD")	1,123,842	1,685,642
Hong Kong Dollar ("HKD")	1,224,812	1,792,191
Australian Dollar ("AUD")	1,479,678	1,824,772
Japanese Yen ("JPY")	1,156,163	1,607,120
Renminbi ("RMB")	1,629,963	1,881,589
	28,680,516	28,688,677

- (e) Subsidiaries operating in China and Hong Kong have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.
- (f) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in the foreign exchange rates against the functional currency of the Group, with all other variables held constant:

	2020 RM	Group 2019 RM
USD/RM		
- strengthen 3% (2019: 3%)	209,645	183,033
- weaken 3% (2019: 3%)	(209,645)	(183,033)
EUR/RM		
- strengthen 3% (2019: 3%)	54,876	45,790
- weaken 3% (2019: 3%)	(54,876)	(45,790)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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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 (continued):

	2020 RM	Group 2019 RM
SGD/RM		
- strengthen 3% (2019: 3%)	25,624	38,433
- weaken 3% (2019: 3%)	(25,624)	(38,433)
HKD/RM		
- strengthen 3% (2019: 3%)	27,926	40,862
- weaken 3% (2019: 3%)	(27,926)	(40,862)
AUD/RM		
- strengthen 3% (2019: 3%)	33,737	41,605
- weaken 3% (2019: 3%)	(33,737)	(41,605)
JPY/RM		
- strengthen 3% (2019: 3%)	26,361	36,642
- weaken 3% (2019: 3%)	(26,361)	(36,642)
RMB/RM		
- strengthen 3% (2019: 3%)	37,163	42,900
- weaken 3% (2019: 3%)	(37,163)	(42,900)

- (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.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (e.g. gross domestic product ("GDP"), producer price index 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, including the effects of COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

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9. TRADE RECEIVABLES (CONTINUED)

(g) Lifetime expected loss provision for trade receivables are as follows:

2020	Gross carrying amount / Maximum exposure RM	Impairment losses RM	Carrying amount RM
Current	19,959,486	(418,421)	19,541,065
Past due:			
1 to 30 days	1,406,659	(330,853)	1,075,806
31 to 60 days	437,102	(188,976)	248,126
61 to 90 days	176,970	(149,428)	27,542
More than 90 days	3,947,174	(3,947,174)	–
	25,927,391	(5,034,852)	20,892,539
Non-current	2,753,125	(902,100)	1,851,025
2019			
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)	–
	27,086,359	(4,590,511)	22,495,848
Non-current	1,602,318	(432,829)	1,169,489

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

9. TRADE RECEIVABLES (CONTINUED)

(h) Movements in the impairment allowance for trade receivables are as follows:

	Lifetime ECL* allowance RM	Credit impaired RM	Total allowance RM
Current			
Balance as at 1 January 2019	4,374,123	27,573	4,401,696
Charge for the financial year	222,367	–	222,367
Reversal of impairment losses	(2,000)	(190)	(2,190)
Exchange differences	(31,362)	–	(31,362)
Balance as at 31 December 2019	4,563,128	27,383	4,590,511
Current			
	ECL* allowance RM	Lifetime Credit impaired RM	Total allowance RM
Balance as at 1 January 2020	4,563,128	27,383	4,590,511
Charge for the financial year	457,781	17,150	474,931
Reversal of impairment losses	(97,368)	–	(97,368)
Exchange differences	66,638	140	66,778
Balance as at 31 December 2020	4,990,179	44,673	5,034,852
Non-current			
Balance as at 1 January 2019	349,165	–	349,165
Charge for the financial year	83,664	–	83,664
Balance as at 31 December 2019	432,829	–	432,829
Balance as at 1 January 2020	432,829	–	432,829
Charge for the financial year	469,271	–	469,271
Balance as at 31 December 2020	902,100	–	902,100

* Expected credit losses

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables	576,294	530,379	–	115
Refundable deposits	523,622	728,183	2,000	2,000
Total other receivables	1,099,916	1,258,562	2,000	2,115
Prepayments	1,857,985	519,475	–	–
	2,957,901	1,778,037	2,000	2,115

- (a) Total other receivables are classified as financial assets and measured at amortised cost.
- (b) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. 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 Group defined significant increase in credit risk as twenty percent (20%) on relative basis.

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.

No expected credit loss is recognised arising from other receivables as it is negligible.

- (c) Movement in the impairment allowance for other receivables is as follows:

	Group Credit impaired	
	2020 RM	2019 RM
Balance as at 1 January	–	6,013
Reversal of impairment losses	–	(6,013)
Balance as at 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(d) The currency exposure profile of total other receivables is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia ("RM")	345,140	689,816	2,000	2,115
Hong Kong Dollar ("HKD")	420,888	506,884	–	–
Renminbi ("RMB")	333,888	61,862	–	–
	1,099,916	1,258,562	2,000	2,115

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

11. AMOUNT OWING BY A SUBSIDIARY

	Company	
	2020 RM	2019 RM
Non-current		
Non-trade	3,065,897	4,900,349
Less: Accumulated impairment loss	(423,986)	(424,582)
	2,641,911	4,475,767
Current		
Non-trade	920,000	–
Less: Accumulated impairment loss	(127,228)	–
	792,772	–
Total amount owing by a subsidiary	3,434,683	4,475,767

- (a) The amount owing by a subsidiary is classified as financial asset and measured at amortised cost.
- (b) Non-current amount owing by a subsidiary is unsecured, interest-free and not receivable within the next twelve (12) months in cash and cash equivalents.
- (c) Current amount owing by a subsidiary is unsecured, interest-free and receivable within the next twelve (12) months in cash and cash equivalents.
- (d) Amount owing by a subsidiary is denominated in RM.

NOTES TO THE FINANCIAL STATEMENTS

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11. AMOUNT OWING BY A SUBSIDIARY (CONTINUED)

- (e) 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.
- (f) Movement in the impairment allowance for amount owing by a subsidiary is as follows:

	Company	
	Lifetime ECL allowance 2020 RM	2019 RM
Balance as at 1 January	424,582	302,847
Charge for the financial year	126,632	121,735
Balance as at 31 December	551,214	424,582

- (g) During the financial year, the Group renegotiated its amount owing by a subsidiary, which led to changes in the timing of the payments. The impact arising from the renegotiation is negligible to the Group.

12. AMOUNTS OWING BY RELATED PARTIES

	Group	
	2020 RM	2019 RM
Current		
Trade	383,126	545,982
Less: Accumulated impairment losses	(14,325)	(56,748)
	368,801	489,234

- (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 is 90 days (2019: 60 to 90 days).
- (c) Amounts owing by related parties are denominated in RM.
- (d) Impairment for the amounts owing by related parties are recognised based on the simplified approach using the lifetime expected credit losses within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 9(g) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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12. AMOUNTS OWING BY RELATED PARTIES (CONTINUED)

(e) Movements in the impairment allowance for amounts owing by related parties are as follows:

	Group Lifetime ECL allowance	
	2020 RM	2019 RM
Balance as at 1 January	56,748	66,287
Charge for the financial year	14,325	–
Reversal of impairment losses	(56,748)	(9,539)
Balance as at 31 December	14,325	56,748

13. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	5,769,935	6,642,317	804,382	4,691
Deposits with licensed banks	3,904,989	5,405,998	–	–
	9,674,924	12,048,315	804,382	4,691
Placement in funds	9,079,678	7,206,355	7,579,678	7,206,355

- (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, except for an amount of RM5,000,000 (2019: RMNil) which is not readily convertible to known amounts of cash and subject to a maturity period of more than three (3) months.
- (c) Placement in funds are classified as financial assets and measured at fair value through profit or loss. The fair value is categorised as Level 1 in fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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

(d) The currency exposure profile of cash and bank balances and placement in funds is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia ("RM")	15,914,348	15,421,992	8,384,060	7,211,046
US Dollar ("USD")	1,685,909	2,540,698	-	-
Euro ("EUR")	116,993	423,772	-	-
Hong Kong Dollar ("HKD")	664,124	413,407	-	-
Renminbi ("RMB")	328,075	398,771	-	-
Japanese Yen ("JPY")	39,955	50,855	-	-
Singapore Dollar ("SGD")	4,994	4,987	-	-
Australian Dollar ("AUD")	204	188	-	-
	18,754,602	19,254,670	8,384,060	7,211,046

(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	
	2020 RM	2019 RM
USD/RM		
- strengthen 3% (2019: 3%)	38,439	57,928
- weaken 3% (2019: 3%)	(38,439)	(57,928)

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 RM3,904,989 (2019: RM3,805,998) are for term loans, bankers' acceptances, onshore foreign currency loan and bank overdrafts granted to certain subsidiaries as disclosed in Note 18(b) and Note 19(b) to the financial statements.
- (g) Deposits are placed with licensed banks for varying periods of between three (3) months and one (1) year (2019: 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 2.39% (2019: 3.17%).
- (i) Sensitivity analysis for fixed rate 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.

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

- (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	5,769,935	6,642,317	804,382	4,691
Deposits with licensed banks	3,904,989	5,405,998	–	–
Placement in funds	9,079,678	7,206,355	7,579,678	7,206,355
Bank overdrafts included in borrowings (Note 17)	(3,281,274)	(513,536)	–	–
	15,473,328	18,741,134	8,384,060	7,211,046
Less: Deposits pledged as securities	(3,904,989)	(3,805,998)	–	–
Deposits with licensed banks with maturity of over three (3) months	–	(1,600,000)	–	–
Placement in funds with maturity of over three (3) months	(5,000,000)	–	(4,000,000)	–
	6,568,339	13,335,136	4,384,060	7,211,046

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

14. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of ordinary shares	RM	Number of ordinary shares	RM
Issued and fully paid:				
Balance as at 1 January/ 31 December	240,593,796	65,428,449	240,593,796	65,428,449

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.

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15. RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-distributable:				
Capital reserve	7,104	7,104	-	-
Foreign currency translation reserve	(1,330,491)	(1,087,447)	-	-
Reorganisation debit reserve	(36,914,958)	(36,914,958)	-	-
Distributable:				
Retained earnings/ (Accumulated losses)	35,274,701	34,283,304	13,755	(115,344)
	(2,963,644)	(3,711,997)	13,755	(115,344)

(a) Capital reserve

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

(b) Foreign currency translation reserve

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

(c) Reorganisation debit reserve

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

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16. DEFERRED TAX LIABILITIES

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

Deferred tax liabilities/(assets) of the Group

	Property, plant and equipment RM	Trade receivables RM	Inventories RM	Unused tax losses RM	Total RM
Balance as at 1 January 2020	4,125,572	42,633	(16,112)	(22,794)	4,129,299
Recognised in profit or loss (Note 31)	340,657	(185,074)	(112,732)	-	42,851
Exchange differences	148	-	-	-	148
Balance as at 31 December 2020	4,466,377	(142,441)	(128,844)	(22,794)	4,172,298
Balance as at 1 January 2019	4,127,262	(219,513)	(14,142)	-	3,893,607
Recognised in profit or loss (Note 31)	(1,452)	262,146	(1,970)	(22,794)	235,930
Exchange differences	(238)	-	-	-	(238)
Balance as at 31 December 2019	4,125,572	42,633	(16,112)	(22,794)	4,129,299

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

	Group	
	2020 RM	2019 RM
Unused tax losses		
- No expiry date	218,348	597,862
- Expired by 31 December 2020	-	510,315
- Expires by 31 December 2021	469,199	469,199
- Expires by 31 December 2022	684,201	684,201
- Expires by 31 December 2023	859,164	859,164
- Expires by 31 December 2024	1,341,627	1,341,627
- Expires by 31 December 2025	479,400	-
	4,051,939	4,462,368

Deferred tax asset of certain subsidiaries has not been recognised as it is not probable that future taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

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16. DEFERRED TAX LIABILITIES

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

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

The accumulated unrecognised deferred tax asset arising from unused tax losses amounting to RM510,315 from the financial year ended 31 December 2019 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

	2020 RM	Group 2019 RM
Non-current liabilities		
Term loans (Note 18)	4,424,581	3,881,954
Current liabilities		
Bankers' acceptances (Note 18)	14,789,835	20,341,679
Onshore foreign currency loan (Note 18)	2,871,411	–
Term loans (Note 18)	1,407,650	1,240,566
Bank overdrafts (Notes 13(j) and 19)	3,281,274	513,536
	22,350,170	22,095,781
Total borrowings		
Bankers' acceptances (Note 18)	14,789,835	20,341,679
Onshore foreign currency loan (Note 18)	2,871,411	–
Term loans (Note 18)	5,832,231	5,122,520
Bank overdrafts (Notes 13(j) and 19)	3,281,274	513,536
	26,774,751	25,977,735

NOTES TO THE FINANCIAL STATEMENTS

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17. BORROWINGS (CONTINUED)

- (a) Borrowings are classified as financial liabilities and measured at amortised cost.
- (b) The currency exposure profile of borrowings is as follows:

	2020 RM	Group 2019 RM
Ringgit Malaysia ("RM")	17,617,517	18,360,056
US Dollar ("USD")	9,157,234	7,617,679
	<hr/> 26,774,751	<hr/> 25,977,735

- (c) 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:

	2020 RM	Group 2019 RM
USD/RM		
- strengthen 3% (2019: 3%)	(208,785)	(173,683)
- weaken 3% (2019: 3%)	208,785	173,683

- (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:

	2020 RM	Group 2019 RM
Profit after tax		
- increase by 0.1% (2019: 0.1%)	(20,349)	(19,743)
- decrease by 0.1% (2019: 0.1%)	20,349	19,743

- (f) Information on liquidity and cash flow risk of borrowings is disclosed in Note 38 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	More than 5 years RM	Total RM
31 December 2020						
Floating rates						
Bankers' acceptances	2.45	14,789,835	-	-	-	14,789,835
Onshore foreign currency loan	4.16	2,871,411	-	-	-	2,871,411
Term loans	5.52	1,407,650	1,403,536	2,473,532	547,513	5,832,231
Bank overdrafts	6.42	3,281,274	-	-	-	3,281,274
31 December 2019						
Floating rates						
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

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18. TERM LOANS, BANKERS' ACCEPTANCES AND ONSHORE FOREIGN CURRENCY LOAN

Term loans, bankers' acceptances and onshore foreign currency loan of the Group are secured by the following:

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

19. BANK OVERDRAFTS

Bank overdrafts of the Group are secured by the following:

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

20. HIRE PURCHASE AND LEASE LIABILITIES

	2020 RM	Group 2019 RM
Non-current liabilities		
Hire purchase with financial institutions	1,386,440	743,107
Lease liabilities with non-financial institutions	2,566,044	3,963,746
	3,952,484	4,706,853
Current liabilities		
Hire purchase with financial institutions	587,547	366,637
Lease liabilities with non-financial institutions	1,637,828	1,524,898
	2,225,375	1,891,535
Total hire purchase and lease liabilities	6,177,859	6,598,388

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20. HIRE PURCHASE AND LEASE LIABILITIES (CONTINUED)

- (a) The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the respective Group entities' incremental borrowing rate.

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

- (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 1%.

- (c) 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 operations of the Group.

There are no potential future rental payments that are not included in the lease term.

- (d) Hire purchase and lease liabilities of the Group were secured by the financial institutions' charge over the assets under hire purchase as disclosed in Note 5(d) to the financial statements. Certain hire purchase and lease liabilities of the Group were also guaranteed by certain Directors of the Company.

- (e) The weighted average effective interest rate per annum of the hire purchase liabilities is 5.90% (2019: 6.89%).

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

- (g) The currency exposure profile of hire purchase and lease liabilities is as follows:

	Group	
	2020	2019
	RM	RM
Ringgit Malaysia ("RM")	2,550,618	1,796,444
Hong Kong Dollar ("HKD")	3,366,820	4,763,223
Renminbi ("RMB")	260,421	38,721
	<hr/>	<hr/>
	6,177,859	6,598,388

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20. 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:

	2020 RM	Group 2019 RM
HKD/RM		
- strengthen 3% (2019: 3%)	(76,763)	(108,601)
- weaken 3% (2019: 3%)	76,763	108,601

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

- (i) Information on liquidity and cash flow risk of hire purchase and lease liabilities is disclosed in Note 38 to the financial statements.

21. 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 (2019: one (1) month to three (3) months).
- (c) The currency exposure profile of trade payables is as follows:

	2020 RM	Group 2019 RM
Ringgit Malaysia ("RM")	4,947,211	5,473,661
US Dollar ("USD")	96,077	416,364
Japanese Yen ("JPY")	135,156	131,568
Euro ("EUR")	102,160	94,032
Hong Kong Dollar ("HKD")	-	49,005
	5,280,604	6,164,630

- (d) Sensitivity analysis of foreign currencies are not disclosed as they are not material to the Group.
- (e) Information on liquidity and cash flow risk of trade payables is disclosed in Note 38 to the financial statements.

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22. OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables	1,867,935	1,905,962	5,194	12,768
Accrued expenses	1,526,289	1,054,456	13,700	14,000
	3,394,224	2,960,418	18,894	26,768

- (a) Other payables and accrued expenses are classified as financial liabilities and measured at amortised cost.
- (b) The currency exposure profile of other payables and accrued expenses is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia ("RM")	3,148,274	2,748,555	18,894	26,768
Renminbi ("RMB")	116,531	73,963	–	–
Hong Kong Dollar ("HKD")	129,419	137,900	–	–
	3,394,224	2,960,418	18,894	26,768

- (c) Sensitivity analysis of foreign currencies are not disclosed as they are not material to the Group.
- (d) Information on liquidity and cash flow risk of other payables and accrued expenses is disclosed in Note 38 to the financial statements.

23. AMOUNTS OWING TO RELATED PARTIES

- (a) Amounts owing to related parties are classified as financial liabilities and measured at amortised cost.
- (b) Amounts owing to related parties arose from trade transactions and the normal trade credit term granted to the Group is 180 days (2019: 180 days).
- (c) Amounts owing to related parties are denominated in RM.
- (d) Information on liquidity and cash flow risk of amounts owing to related parties is disclosed in Note 38 to the financial statements.

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24. AMOUNTS OWING TO DIRECTORS

- (a) Amounts owing to Directors are classified as financial liabilities and measured at amortised cost.
- (b) Amounts owing to Directors mainly arose from unpaid remunerations, which are interest-free and payable within next twelve (12) months in cash and cash equivalents.
- (c) The currency exposure profile of amounts owing to Directors is as follows:

	Group	
	2020	2019
	RM	RM
Ringgit Malaysia ("RM")	113,571	78,948
Renminbi ("RMB")	29,145	19,400
Hong Kong Dollar ("HKD")	78,772	15,768
	221,488	114,116

- (d) Sensitivity analysis of foreign currencies are not disclosed as they are not material to the Group.
- (e) Information on liquidity and cash flow risk of amounts owing to Directors is disclosed in Note 38 to the financial statements.

25. GOVERNMENT GRANT

	Group	
	2020	2019
	RM	RM
Balance as at 1 January	-	-
Received during the financial year		
- cash	103,052	-
- receivables	206,105	-
	309,157	-
Balance as at 31 December	309,157	-
Represented by:		
Non-current liabilities	309,157	-

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grants will be received and the Group will comply with the attached conditions.

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26. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers:				
- sale of rubber based tyre retreaded products and related charges	103,355,966	116,613,906	-	-
Other revenue:				
- dividend income from a subsidiary	-	-	2,998,500	-
	103,355,966	116,613,906	2,998,500	-

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

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

There is no significant financing component in the revenue arising from sale of products as the sales are made on the normal credit terms not exceeding twelve months.

- (b) Dividend income is recognised when the shareholders' right to receive payment is established.

27. EMPLOYEE BENEFITS

	Group	
	2020 RM	2019 RM
Wages, salaries, allowances and bonuses	10,982,560	11,576,381
Contributions to defined contribution plans	532,617	582,525
Social security contributions	99,078	104,038
Other employee benefits	1,018,456	894,056
	12,632,711	13,157,000

Included in employee benefits expense of the Group are Executive Directors' remuneration amounting to RM1,058,612 (2019: RM996,150) as further disclosed in Note 30 to the financial statements.

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28. FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Finance income				
Finance income from:				
- deposits with licensed banks	146,684	167,624	-	-
- placement in funds	125,153	186,355	125,153	186,355
- others	31,379	30,699	901	697
	303,216	384,678	126,054	187,052
Finance costs				
Interest expense in relation to:				
- bankers' acceptances, onshore foreign currency loan and bank overdrafts	686,887	980,197	-	-
- hire purchase and lease liabilities	405,354	442,282	-	-
- term loans	257,503	295,097	-	-
	1,349,744	1,717,576	-	-

Interest income is recognised on an accrual basis, using the effective interest method.

29. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
After charging:				
Auditors' remuneration				
Statutory audit:				
- auditors of the Company				
- current year	116,000	118,000	14,600	14,600
- other auditors				
- current year	19,371	17,140	-	-
- underprovision in prior years	8,937	9,253	-	-
Non-statutory audit	4,000	4,000	4,000	4,000
Directors' remuneration paid and payable to:				
<i>Directors' fees</i>				
- Directors of the Company	361,832	361,574	246,000	246,000
- Directors of the subsidiaries	20,416	35,287	-	-
<i>Other emoluments</i>				
- Directors of the Company	1,036,513	985,401	-	-
- Directors of the subsidiaries	32,499	21,149	-	-

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29. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
After charging (continued):				
Realised loss on foreign exchange	96,292	402,423	-	-
Property, plant and equipment written off	18,368	3,669	-	-
Variable lease payments - based on the usage of square feet for stored stocks	246,692	323,883	-	-
And crediting:				
Dividend received from a subsidiary	-	-	2,998,500	-
Variable lease payments - arising from COVID-19 related rent concessions	131,591	-	-	-
Gain on disposal of property, plant and equipment	14,999	393	-	-
Unrealised gain on foreign exchange	478,577	590,421	-	-

30. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company:				
Executive:				
Fees	175,832	175,574	90,000	90,000
Other emoluments	1,026,113	975,001	-	-
Non-executive:				
Fees	186,000	186,000	156,000	156,000
Other emoluments	10,400	10,400	-	-
Directors of the subsidiaries:				
Executive:				
Fees	20,416	35,287	-	-
Other emoluments	32,499	21,149	-	-
Total	1,451,260	1,403,411	246,000	246,000

Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM69,702 (2019: RM70,931).

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30. DIRECTORS' REMUNERATION (CONTINUED)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	Non-Executive	Executive
2020		
RM1 - RM50,000	–	4
RM50,001 - RM100,000	–	1
RM300,001 - RM350,000	1	–
RM350,001 - RM400,000	1	–
RM550,001 - RM600,000	1	–
2019		
RM1 - RM50,000	–	4
RM50,001 - RM100,000	–	1
RM250,001 - RM300,000	1	–
RM350,001 - RM400,000	1	–
RM550,001 - RM600,000	1	–

31. TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax expense based on profit/(loss) for the financial year	833,046	237,128	–	–
(Over)/Underprovision in prior years	(135,731)	(102,165)	–	1,916
	697,315	134,963	–	1,916
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	(114,428)	137,148	–	–
Underprovision in prior years	157,279	98,782	–	–
	42,851	235,930	–	–
Tax expense	740,166	370,893	–	1,916

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 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.

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31. TAX EXPENSE (CONTINUED)

- (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) before tax	4,137,501	1,993,013	2,535,037	(471,447)
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	993,000	478,323	608,409	(113,147)
Tax effects in respect of:				
Non-allowable expenses	307,492	413,197	141,268	157,872
Non-taxable income	(56,196)	(189,374)	(749,677)	(44,725)
Utilisation of reinvestment allowance	(179,464)	(595,688)	-	-
Utilisation of investment tax allowance	(371,823)	-	-	-
Utilisation of previously unrecognised deferred tax assets	(62,620)	(33,852)	-	-
Different tax rates in foreign jurisdiction	(31,621)	(28,598)	-	-
Deferred tax assets not recognised	119,850	330,268	-	-
	718,618	374,276	-	-
(Over)/Underprovision of current tax expense in prior years	(135,731)	(102,165)	-	1,916
Underprovision of deferred tax in prior years	157,279	98,782	-	-
Total tax expense	740,166	370,893	-	1,916

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

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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
At 31 December 2020			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translations	(243,044)	–	(243,044)
<hr/>			
At 31 December 2019			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translations	24,000	–	24,000
<hr/>			

32. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	Group	
	2020 RM	2019 RM
Profit for the financial year attributable to owners of the parent	3,397,335	1,622,120
<hr/>		
Weighted average number of ordinary shares in issue (unit)	240,593,796	240,593,796
<hr/>		
Basic earnings per ordinary share for (sen):	1.41	0.67
<hr/>		

(b) Diluted

The diluted earnings per ordinary share equals basic earnings per ordinary 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

	Group and Company			
	2020	2019	2020	2019
	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM
Single tier interim dividend	1.00	2,405,938	–	–

The Directors do not recommend the payment of any final 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 the 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

31 DECEMBER 2020

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34. RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
With subsidiary:				
Eversafe Rubber Works Sdn. Bhd.				
- dividend income	-	-	2,998,500	-
With major shareholder:				
Tai Hin & Son (PG) Sdn. Bhd.				
- rental paid	222,000	240,000	-	-
With direct and indirect subsidiaries of major shareholder:				
Tayarmart (M) Sdn. Bhd.				
- sale of trading goods	1,466,185	1,413,201	-	-
- purchase of raw materials	97,614	104,226	-	-
- purchases of services	7,335	14,429	-	-
Tayarmart (Raja Uda) Sdn. Bhd.				
- sale of trading goods	120,319	166,363	-	-
- purchase of raw materials	11,704	9,772	-	-
- purchases of services	955	32	-	-
Tayarmart (T. Bagan) Sdn. Bhd.				
- purchase of raw materials	4,080	4,950	-	-

The related party transactions described above were carried out on agreed contractual terms and conditions and in the ordinary course of business between the related parties of the Group and the Company.

- (c) Compensation of key management personnel

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fees	382,248	396,861	246,000	246,000
Short term employee benefits	1,564,590	1,506,037	-	-
Contributions to defined contribution plans	109,703	123,922	-	-
	2,056,541	2,026,820	246,000	246,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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35. CAPITAL COMMITMENT

	Group	
	2020 RM	2019 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	18,000	3,000,000

36. CONTINGENT LIABILITIES

	Company	
	2020 RM	2019 RM
Unsecured		
Corporate guarantees given to banks for credit facilities granted to subsidiaries	25,644,392	18,956,535

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.

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 2020 and 31 December 2019.

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 including hire purchase less cash and bank balances and placement in funds. Capital represents equity attributable to the owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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37. CAPITAL MANAGEMENT (CONTINUED)

The net debt-to-equity ratios as at the end of the reporting period are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Borrowings	26,774,751	25,977,735	-	-
Hire purchase and lease liabilities	6,177,859	6,598,388	-	-
Less: Cash and bank balances	(9,674,924)	(12,048,315)	(804,382)	(4,691)
Placement in funds	(9,079,678)	(7,206,355)	(7,579,678)	(7,206,355)
Net debt/(Net cash)	14,198,008	13,321,453	(8,384,060)	(7,211,046)
Total capital	62,464,805	61,716,452	65,442,204	65,313,105
Net debt-to-equity ratio	0.23	0.22	*	*

* 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.

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 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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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, liquidity and cash flow risk, credit risk and interest rate risk. Information on the management of the related exposures is detailed below.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales, purchase and borrowings that are denominated in a currency other than the functional currency of the Group.

Subsidiaries operating in overseas have assets and liabilities together with expected cash flows from anticipated transactions denominated in those foreign currencies.

The sensitivity analysis for foreign currency risk has been disclosed in Note 9, Note 10, Note 13, Note 17, Note 20, Note 21, Note 22 and Note 24 to the financial statements respectively.

(b) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that the Group will encounter difficulty in meeting their financial obligation due to shortage of funds. The exposure of the Group to liquidity and cash flow risk arises primarily from mismatches of maturity of financial assets and financial liabilities.

It is the policy of the Group 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 operations and development activities of the Group. The Group also maintains flexibility in funding by keeping committed credit lines available.

In order to mitigate the potential risk exposure due to COVID-19 pandemic, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs of business operations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY (CONTINUED)

(b) Liquidity and cash flow risk (continued)

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

	On demand or within one (1) year RM	One (1) to five (5) year RM	More than five (5) year RM	Total RM
Group				
31 December 2020				
Trade payables	5,280,604	–	–	5,280,604
Other payables and accrued expenses	3,394,224	–	–	3,394,224
Amounts owing to related parties	40,804	–	–	40,804
Amounts owing to Directors	221,488	–	–	221,488
Borrowings	22,589,335	4,316,591	577,607	27,483,533
Hire purchase and lease liabilities	2,540,048	4,210,333	–	6,750,381
Total undiscounted liabilities	34,066,503	8,526,924	577,607	43,171,034
31 December 2019				
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
Total undiscounted liabilities	33,940,593	9,361,210	–	43,301,803
Company				
31 December 2020				
Other payables and accrued expenses/ Total undiscounted liability		18,894	–	18,894
31 December 2019				
Other payables and accrued expenses/ Total undiscounted liability		26,768	–	26,768

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY (CONTINUED)

(c) 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.

Exposure to credit risk

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount recognised of each class of financial assets in the statements of financial position.

Credit risk concentration profile

As at the end of the reporting period, the Group has no significant concentration of credit risk. The Group does 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.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group will fluctuate because of changes in market interest rates. The exposure to market risk of the Group for changes in interest rates relates primarily to the bank borrowings including hire purchase and deposits placed with licensed banks of the Group.

Sensitivity analysis for interest rate risk

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Note 13, Note 17 and Note 20 to the financial statements respectively.

39. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phases of the MCO up to date of authorisation of the financial statements.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next twelve (12) months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continue to monitor its fund and operational needs.

NOTES TO THE FINANCIAL STATEMENTS

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40. ADOPTION OF NEW MFRSS AND AMENDMENTS 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
<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 (early adopt)
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of Amendment to MFRS 16 as described in the following section.

Amendment to MFRS 16 Covid-19-Related Rent Concessions

MFRS 16 has been amended to:

- (a) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and
- (b) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) Changes in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iii) There is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to MFRS 16 during the financial year ended 31 December 2020 and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and in similar circumstances. Consequently, the Group did not recognise changes in these lease payments as lease modifications and instead, recognised these as variable lease payments in profit or loss. The effects of early adoption are disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

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

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concession beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company do not expect the adoption of the above Standards to have a significant impact on the financial statements.

41. FINANCIAL REPORTING UPDATE

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 has implemented the requirements of this final agenda decision during the financial year ended 31 December 2020. There is no material impact on the financial statements of the Group as at the end of reporting period.

ANALYSIS OF SHAREHOLDERS

AS AT 26 MARCH 2021

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	:	1,338 shareholders

DISTRIBUTION OF SHAREHOLDINGS AS AT 26 MARCH 2021

(as per the Record of Depositors)

Size of Holdings	No. of holders	% of holders	No. of shares held	% of issued shares
1-99	4	0.30	100	*
100-1,000	107	8.00	53,300	0.02
1,001-10,000	564	42.15	3,573,100	1.49
10,001-100,000	526	39.31	20,286,800	8.43
100,000 to less than 5% of issued shares	135	10.09	84,398,712	35.08
5% and above issued shares	2	0.15	132,281,784	54.98
Total	1,338	100.0	240,593,796	100.00

Note:

* Negligible

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS AS AT 26 MARCH 2021

(as per Register of Substantial Shareholders)

Name of substantial shareholder	<-----Direct----->		<-----Indirect----->	
	No. of shares held	%	No. of shares held	%
Tai Hin & Son (PG) Sdn Bhd	116,893,546	48.59	–	–
Dato' Seri Cheah Eu Kiat	15,388,238	6.40	⁽¹⁾ 117,137,446	48.69
Eu Ah Seng	4,707,350	1.96	⁽²⁾ 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 26 MARCH 2021

cont'd

SHAREHOLDINGS OF DIRECTORS AS AT 26 MARCH 2021

(as per Register of Directors' Shareholdings)

Name of Directors	<-----Direct----->		<-----Indirect----->	
	No. of shares held	%	No. of shares held	%
Tan Sri Dato' Dr. Sak Cheng Lum	–	–	–	–
Dato' Seri Cheah Eu Kiat	15,388,238	6.40	⁽¹⁾ 117,137,446	48.69
Eu Ah Seng	4,707,350	1.96	⁽²⁾ 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 26 March 2021)

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.	Eu Ah Seng	4,707,350	1.96
6.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Kok Choy (8092812)	4,500,000	1.87
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.	Lai Soon Wei	1,906,400	0.79
11.	Chuah Meng Hing	1,604,906	0.67
12.	Cheah Eu Lee	1,540,000	0.64
13.	Teoh Yee Lun	1,537,800	0.64
14.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tang Way Keong (E-TMI)	1,013,900	0.42
15.	Chung Shien Hing	1,000,000	0.42

ANALYSIS OF SHAREHOLDERS

AS AT 26 MARCH 2021
cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)
(as per the Record of Depositors as at 26 March 2021)

No.	Name of Shareholder	No. of shares	% of shares
16.	LNH Holdings Sdn Bhd	1,000,000	0.42
17.	Pichet Nithivasin	1,000,000	0.42
18.	Saw Khai Phin Holdings Sdn Bhd	1,000,000	0.42
19.	Tan Huen Man	986,211	0.41
20.	Saw Khai Phin	950,000	0.39
21.	Lee Chu Siong	945,864	0.39
22.	Mercsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Beow Soon	859,900	0.36
23.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeo Show Kau (E-TMI)	859,700	0.36
24.	Chuah Hann Yan	858,728	0.36
25.	Chin Mun Fie	817,000	0.34
26.	Cheah Siang Tee	750,000	0.31
27.	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Liu, Jen-Cheng (E-TMM/BDR)	740,000	0.31
28.	Lee Cho Mun	722,900	0.30
29.	Chon Ming Er	717,800	0.30
30.	Cheah Siang Gim	697,000	0.29
Total		188,795,218	78.47

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/-	#	1,043,434
<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	7,115,392
<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/-	#	1,824,681
<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/-	#	1,327,444
<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 6TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth 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 **Tuesday, 25 May 2021 at 11.00 a.m.** to transact the following business:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 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) Dato' Seri Cheah Eu Kiat **(Resolution 1)**
 - ii) Mr. Cheah Eu Lee **(Resolution 2)**
 - iii) Mr. Eu Ah Seng **(Resolution 3)**
3. To approve the Directors' fees of RM260,000 for the financial year ending 31 December 2021. **(Resolution 4)**
4. To approve the Directors' benefits of up to RM1,500,000.00 for the period from 1 July 2021 to 30 June 2022. **(Resolution 5)**
5. To re-appoint BDO PLT as Auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

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

6. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **(Resolution 7)**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed General Mandate").

NOTICE OF 6TH ANNUAL GENERAL MEETING

cont'd

THAT such approval on the Proposed General Mandate shall continue to be in force until:-

- a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
- b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
- c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the ACE Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate.

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

(Resolution 8)

“THAT subject to the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and its subsidiary(ies) to enter into recurrent related party transactions of revenue or trading nature with the related parties (“Recurrent Related Party Transactions”) as set out in Section 2.2 of the Circular to the Shareholders dated 26 April 2021 (“the Circular”), subject further to the following:-

- (i) the Recurrent Related Party Transactions are entered into in the ordinary course of business on transaction prices and terms not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arms' length basis and are not to the detriment of the minority shareholders of the Company;
- (ii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:
 - (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this AGM at which this shareholders' mandate was passed, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
 - (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (“Act”) (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

NOTICE OF 6TH ANNUAL GENERAL MEETING

cont'd

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the Recurrent Related Party Transactions contemplated and/or authorised by this Ordinary Resolution.

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

BY ORDER OF THE BOARD

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

Date: 26 April 2021
Ipoh

NOTES:

1. A member of a company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her 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/she specifies the proportions of his/her 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/her attorney duly authorised in writing or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
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 or by electronic lodgement via TIIH Online at <https://tiih.online> 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 Sixth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd to issue a General Meeting Record of Depositors ("ROD") as at 17 May 2021. 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.

NOTICE OF 6TH ANNUAL GENERAL MEETING

cont'd

- Shareholders are advised to check the Company's website at www.eversafe.com.my and announcements from time to time for any changes to the administration of the Sixth Annual General Meeting that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

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 Resolutions 1, 2 and 3

Dato' Seri Cheah Eu Kiat, Mr. Cheah Eu Lee and Mr. Eu Ah Seng are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Sixth Annual General Meeting.

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

3. Proposed Resolution 4

The Directors' Fees proposed for the financial year ending 31 December 2021 are calculated based on the Board size and in accordance to the Company's policy and guidelines.

4. Proposed Resolution 5

This ordinary resolution is to facilitate payment of Directors' benefits on Directors' and Officers' insurance for the period from 1 July 2021 until 30 June 2022. 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 2022.

5. Proposed 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 Sixth Annual General Meeting are disclosed in the Corporate Governance Overview Statement of the Annual Report 2020.

6. Proposed Resolution 7

The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed General Mandate").

The authority for the Proposed General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

NOTICE OF 6TH ANNUAL GENERAL MEETING

cont'd

This proposed Resolution is a renewal of the previous year's mandate. The 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 costs and time.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this notice, the Company did not implement its proposal for new allotment of shares under the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by the shareholders at the Fifth AGM held on 13 August 2020 and will lapse at the conclusion of the Sixth AGM to be held on 25 May 2021. As at the date of this notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

7. Proposed Resolution 8

The proposed Ordinary Resolution 8 if passed, will enable the Company and/or its subsidiary company(ies) to enter into recurrent transactions involving the interest of Related Parties, which are necessary for the Group's day-to-day operations and undertaken at arm's length, subject to the transactions being carried out in the ordinary course of business and on transaction prices and terms not to the detriment of the minority shareholders of the Company.

For further information, please refer to the Circular to Shareholders dated 26 April 2021 accompanying the Company's Annual Report for the financial year ended 31 December 2020.

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 Sixth Annual General Meeting.

ADMINISTRATIVE GUIDE FOR THE CONDUCT OF SIXTH ANNUAL GENERAL MEETING (“6TH AGM”)

Day and Date : Tuesday, 25 May 2021
Time : 11.00 a.m.
Venue : Conference 1, Level 2, WEIL Hotel, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan

SAFETY MEASURES IN LIGHT OF THE COVID-19 PANDEMIC

For the conduct of the 6th AGM, the Company wishes to advise the shareholders that the Company will be taking precautionary measures in line with the Standard Operating Procedures (“SOP”) issued by Majlis Keselamatan Negara (“MKN”) dated 10 March 2021 and any revisions that may be made from time to time by MKN and/or the relevant authorities.

All attendees will be required to wear face mask, undergo temperature check and make a health declaration prior to entering the meeting venue. The Company and/or WEIL Hotel 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.

In accordance with the SOP dated 10 March 2021, the capacity of the meeting venue must be sufficient to allow seating arrangement with physical distancing of one metre.

Therefore, if you are unwell, you are strongly advised to appoint a proxy or the Chairman of the meeting to attend and vote on your behalf at the 6th AGM.

PRE-REGISTRATION TO ATTEND THE AGM

Pursuant to the latest Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 5 March 2021, shareholders are required to register ahead of the 6th 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 following **procedures to pre-register your physical attendance at the 6th AGM via the TIIH Online** website at <https://tiih.online>.

- Login to TIIH 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 TIIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
- Select the corporate event: “**(REGISTRATION) EVERSAFE 6TH 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 as at 17 May 2021, the system will send you an e-mail **after 23 May 2021** to approve or reject your registration to attend physically at the Meeting Venue.

ELIGIBILITY TO ATTEND BASED ON THE RECORD OF DEPOSITORS

Only a shareholder whose name appears on the Record of Depositor as at **17 May 2021** shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf.

ADMINISTRATIVE GUIDE FOR THE CONDUCT OF SIXTH ANNUAL GENERAL MEETING (“6TH AGM”)

cont'd

REGISTRATION ON THE DAY OF THE 6TH AGM

Registration will start at 9.00 a.m. at Conference 1, Level 2, WEIL Hotel, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan.

Original MyKad or passport is required to be presented during registration for verification.

Upon verification of your MyKad or passport and signing of attendance list, you will be given an identification wristband to enter the meeting room. There will be no replacement of wristband in the event that it is lost or misplaced.

Please note that you will only be allowed to enter the meeting hall if you are wearing the identification wristband.

You will not be allowed to register on behalf of another person even with the original MyKad or passport of that person.

Please vacate the registration area immediately after registration to prevent congestion. If you have any enquiry, please proceed to the Help Desk counter located near the registration area.

APPOINTMENT OF PROXY

A shareholder who is unable to attend the 6th AGM on 25 May 2021 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.

You may also submit the proxy form electronically via TIIH Online website at <https://tiih.online>, not less than forty-eight (48) hours before the time appointed for holding the 6th AGM or any adjournment thereof, otherwise the proxy form shall not be treated as valid. Please do read and follow the procedures below to submit proxy form electronically.

ELECTRONIC LODGMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor’s TIIH Online website are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the “e-Services”. Please refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of form of proxy	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. Select the corporate event: EVERSAFE 6TH AGM - “Submission of Proxy Form”. Read and agree to the Terms and Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. Appoint your proxy/proxies and insert the required details of your proxy/proxies or appoint the Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. Review and confirm your proxy(s) appointment. Print the form of proxy for your record.

ADMINISTRATIVE GUIDE FOR THE CONDUCT OF SIXTH ANNUAL GENERAL MEETING (“6TH AGM”)

cont'd

Procedure	Action
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> • Access TIIH Online at https://tiih.online • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects “Create Account by Representative of Corporate Holder”. • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. <p>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> • Login to TIIH Online at https://tiih.online • Select the corporate exercise name: “EVERSAFE 6TH AGM: Submission of Proxy Form” • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Login to TIIH Online, select corporate exercise name: “EVERSAFE 6TH AGM: Submission of Proxy Form”. • Proceed to upload the duly completed proxy appointment file. • Select “Submit” to complete your submission. • Print the confirmation report of your submission for your record.

The last date and time for lodging the proxy form is Sunday, 23 May 2021 at 11.00 a.m.

COMMUNICATION GUIDANCE

Shareholders are advised to check the Company’s website at www.eversafe.com.my and announcements from time to time for any changes to the administration of the 6th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

ENQUIRY

If you have any enquiries on the above, 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 Unit 32-01, Level 32, Tower A Vertical Business Suite, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia	General Line:	603-2783 9299
	Contact person: Ms. Christine Cheng Pn. Azizah	603-27839265 603-27839260
	Fax Number:	603-2783 9222
	Email:	is.enquiry@my.tricorglobal.com

FORM OF PROXY

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

CDS Account No.	No. of Shares Held

*I/We _____ Tel: _____
(Full name in block, NRIC/Passport/Company 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 Chairperson of the Meeting, as *my/our proxy/proxies to vote for *me/us and on *my/our behalf at the Sixth Annual General Meeting ("6th AGM") of the Company which will be held at Conference 1, Level 2, WEIL Hotel, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan on **25 May 2021, Tuesday at 11.00 a.m.** or any adjournment thereof, and to vote as indicated below:

Ordinary Resolution	Description of Resolution	FOR	AGAINST
1	Re-election of Dato' Seri Cheah Eu Kiat as Director		
2	Re-election of Mr. Cheah Eu Lee as Director		
3	Re-election of Mr. Eu Ah Seng as Director		
4	Approval of Directors' fees for the financial year ending 31 December 2021		
5	Approval of Directors' benefits for the period from 1 July 2021 to 30 June 2022		
6	Re-appointment of BDO PLT as Auditors		
7	Authority for Directors to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
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 _____ 2021.

Signature/ Common Seal of Shareholder(s)

NOTES:-

- A member of a company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her 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/she specifies the proportions of his/her 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/her attorney duly authorised in writing or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
- 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 or by electronic lodgement via TIIH Online at <https://tjih.online> 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 Sixth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd to issue a General Meeting Record of Depositors ("ROD") as at 17 May 2021. 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.
- Shareholders are advised to check the Company's website at www.eversafe.com.my and announcements from time to time for any changes to the administration of the Sixth Annual General Meeting that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

Fold this flap for sealing

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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

1st fold here

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