

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF EVERS SAFE RUBBER BERHAD (“EVERSAFE RUBBER” OR THE “COMPANY”) DATED 31 MARCH 2017 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad's (“Bursa Securities”) website at www.bursamalaysia.com (“Website”).

Availability and Location of Paper / Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper / printed copy of the Prospectus directly from the Company, Mercury Securities Sdn Bhd (“Mercury Securities”) or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Form is not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the initial public offering (“IPO”) shares are subject to Malaysian law. Bursa Securities, Mercury Securities and Eversafe Rubber take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the IPO shares outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any IPO shares, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from **10.00 a.m.** on **31 March 2017** and will close at **5.00 p.m.** on **10 April 2017** or such other date(s) as the Board of Directors and Promoters, together with the Sole Underwriter may, in their absolute discretion, mutually decide.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

PROSPECTUS



EVERSAFE RUBBER

EVERSAFE RUBBER BERHAD

(Company No. 1133877-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING OF UP TO 78,000,000 ORDINARY SHARES IN EVERS SAFE RUBBER BERHAD (“**SHARES**”) COMPRISING:-

(A) PUBLIC ISSUE OF 48,000,000 NEW SHARES (“**ISSUE SHARES**”) COMPRISING:-

- (I) 12,500,000 ISSUE SHARES TO THE MALAYSIAN PUBLIC;
- (II) 11,500,000 ISSUE SHARES TO THE DIRECTORS OF EVERS SAFE RUBBER, ELIGIBLE EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF EVERS SAFE RUBBER AND ITS SUBSIDIARIES;
- (III) 24,000,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND SELECTED INVESTORS; AND

(B) OFFER FOR SALE OF UP TO 30,000,000 EXISTING SHARES (“**OFFER SHARES**”) COMPRISING:-

- (I) UP TO 6,000,000 OFFER SHARES BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND SELECTED INVESTORS;
- (II) UP TO 24,000,000 OFFER SHARES BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA;

AT AN ISSUE / OFFER PRICE OF RM0.36 PER SHARE PAYABLE IN FULL ON APPLICATION PURSUANT TO THE LISTING OF EVERS SAFE RUBBER ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Principal Adviser, Sponsor, Sole Underwriter and
Sole Placement Agent



MERCURY SECURITIES SDN BHD

(Company No. 113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS THAT PROSPECTIVE INVESTORS SHOULD CONSIDER. SEE “RISK FACTORS” IN SECTION 5 OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET MAY BE OF HIGH INVESTMENT RISK.

THIS PROSPECTUS IS DATED 31 MARCH 2017



EVERSAFE RUBBER

RESPONSIBILITY STATEMENTS

OUR DIRECTORS, PROMOTERS AND OFFERORS HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN. HAVING MADE ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

MERCURY SECURITIES SDN BHD ("**MERCURY SECURITIES**"), BEING OUR PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR INITIAL PUBLIC OFFERING ("**IPO**").

STATEMENTS OF DISCLAIMER

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SECURITIES COMMISSION MALAYSIA ("**SC**"). THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF YOUR INVESTMENT IN OUR SHARES. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

OUR COMPANY HAS OBTAINED THE APPROVAL FROM BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING AND QUOTATION OF OUR SHARES. OUR ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, OUR COMPANY OR OUR SECURITIES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU SHOULD NOTE THAT ANY AGREEMENT BY OUR SOLE UNDERWRITER NAMED IN THIS PROSPECTUS TO UNDERWRITE OUR SHARES UNDER THE RETAIL OFFERING IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR SHARES BEING OFFERED.

OTHER STATEMENTS

COMPANIES LISTED ON THE ACE MARKET MAY HAVE A LIMITED OPERATING HISTORY OR MAY NOT HAVE ANY PROFIT TRACK RECORD PRIOR TO LISTING. SUCH COMPANIES MAY BE OF HIGH INVESTMENT RISK. AS WITH ALL INVESTMENTS, YOU SHOULD BE AWARE OF ALL POTENTIAL RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST AFTER GIVING DUE AND CAREFUL CONSIDERATION BY REFERRING TO, AMONG OTHERS, THIS PROSPECTUS, LATEST FINANCIAL STATEMENTS AND CORPORATE ANNOUNCEMENTS. YOU ARE STRONGLY RECOMMENDED TO SEEK ADVICE FROM A SECURITIES PROFESSIONAL OR ADVISER.

OUR IPO IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 (“**CMSA**”) AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SC.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THIS PROSPECTUS AND OUR IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THIS PROSPECTUS DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA.

THIS PROSPECTUS IS NOT INTENDED TO BE ISSUED, CIRCULATED OR DISTRIBUTED, AND OUR IPO WILL NOT BE MADE IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. OUR IPO TO WHICH THIS PROSPECTUS RELATES IS ONLY AVAILABLE TO PERSONS RECEIVING THIS PROSPECTUS ELECTRONICALLY OR OTHERWISE WITHIN MALAYSIA. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (*IN PRELIMINARY OR FINAL FORM*) OUTSIDE MALAYSIA. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE FOR OR PURCHASE, ANY SECURITIES UNDER OUR IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER IS NOT AUTHORISED OR IS UNLAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR SHARES IN CERTAIN JURISDICTION MAY BE RESTRICTED BY LAW. PERSONS WHO MAY BE IN POSSESSION OF THIS PROSPECTUS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

WE WILL NOT MAKE OR BE BOUND TO MAKE ANY ENQUIRY BEFORE ANY ACCEPTANCE IN RESPECT OF OUR IPO AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA. WE WILL NOT ACCEPT ANY LIABILITY WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION WITH IT. IT IS YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER YOUR APPLICATION OF OUR IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OR JURISDICTIONS OF MALAYSIA.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR OUR SHARES WOULD BE IN COMPLIANCE WITH THE TERMS OF OUR IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECT TO. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED OUR IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECT ONLY TO THE LAWS OF MALAYSIA IN CONNECTION WITH IT.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION, TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR OUR IPO IN MALAYSIA UNDER THE LAWS OF MALAYSIA. OUR SHARES ARE ISSUED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION, WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

ELECTRONIC PROSPECTUS

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT <http://www.bursamalaysia.com>.

THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME. YOU MAY ALSO OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITE OF AFFIN BANK BERHAD AT <http://www.affinOnline.com>, AFFIN HWANG INVESTMENT BANK BERHAD AT <http://trade.affinhwang.com>, CIMB BANK BERHAD AT <http://www.cimbclicks.com.my>, CIMB INVESTMENT BANK BERHAD AT <http://www.eipocimb.com>, MALAYAN BANKING BERHAD AT <http://www.maybank2u.com.my>, RHB BANK BERHAD AT <http://www.rhbgroup.com> AND PUBLIC BANK BERHAD AT <http://www.pbebank.com>.

THE INTERNET IS NOT A FULLY SECURE MEDIUM. INTERNET SHARE APPLICATIONS MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU ARE IN DOUBT OF THE VALIDITY OR INTEGRITY OF THE ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR PRINCIPAL ADVISER OR THE ISSUING HOUSE, A PAPER / PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER / PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER / PRINTED COPY OF THIS PROSPECTUS, WHICH ARE IDENTICAL TO THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

- (I) WE AND OUR PRINCIPAL ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, WE ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENT OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (II) WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND
- (III) ANY DATA, INFORMATION, FILES OR OTHER MATERIAL IS DOWNLOADED FROM THE THIRD PARTY INTERNET SITES AT YOUR OWN DISCRETION AND RISK. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE THE ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:-

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, WHICH HAS BEEN DOWNLOADED OR OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT LIABLE (*WHETHER IN TORT OR CONTRACT OR OTHERWISE*) FOR ANY LOSS, DAMAGE OR COSTS, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:-

Events	Date
Issuance of this Prospectus / Opening date of our IPO	10.00 a.m. 31 March 2017
Closing date of our IPO	5.00 p.m. 10 April 2017
Balloting of applications	12 April 2017
Allotment of our IPO Shares	19 April 2017
Listing	21 April 2017

The above dates are tentative and are subject to changes that may be necessary to facilitate the implementation procedures. The application period will open at 10.00 a.m. on 31 March 2017 and close at 5.00 p.m. on 10 April 2017 or such other date(s) as our Directors and Promoters, together with our Sole Underwriter may, in their absolute discretion, mutually decide.

If the closing date of the application is extended, the dates for the balloting, allotment of our IPO Shares and our Listing will be extended accordingly. We will advertise notice of such extension in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia prior to the original closing date of the application.

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DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the term is defined otherwise or the context requires otherwise:-

Acquisition of Rubber Works	: Acquisition by Eversafe Rubber of the entire issued share capital of Rubber Works from the vendors (<i>names as set out in the schedule in Section 4.6 of this Prospectus</i>) comprising 10,899,696 ordinary shares for a total consideration of RM48,148,447 satisfied in full by the allotment and issuance of 192,593,788 new Shares at an issue price of RM0.25 per Share, which was completed on 28 May 2016
ADA	: Authorised Depository Agent
Application	: Application for our Issue Shares by way of Application Form, Electronic Share Application or Internet Share Application
Application Form	: Application form accompanying this Prospectus for the Application
ASEAN	: The Association of Southeast Asian Nations
ATM	: Automated teller machine
Authorised Financial Institution	: Authorised financial institution participating in the Internet Share Application, with respect to payments for our Issue Shares
Board or Board of Directors	: Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W), a subsidiary of Bursa Securities
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CA 1965	: Companies Act, 1965
CA 2016 or Act	: Companies Act, 2016
CAGR	: Compounded annual growth rate
CCC	: Certificate of completion and compliance
CDS	: Central Depository System
CF	: Certificate of fitness for occupation
CMSA	: Capital Markets and Services Act, 2007

DEFINITIONS (cont'd)

Completed Transactions	: The following transactions (<i>in sequential order</i>):-
	(i) disposal by Olympic of the entire issued share capital of Olimpik Jaya (M) Sdn Bhd to Tayarmart (M) Sdn Bhd for a cash consideration of RM145,389, which was completed on 2 May 2016 (<i>Olimpik Jaya (M) Sdn Bhd was principally engaged in trading of tyre casings and as an agent of new tyres and retreaded tyres. The disposal was undertaken to enable the consolidation of Olimpik Jaya (M) Sdn Bhd's operations relating to sale of retreaded tyres into Olympic</i>);
	(ii) acquisition by Rubber Works of the entire issued share capital of Olympic comprising 250,002 ordinary shares from Tai Hin for a total consideration of RM4,670,702 satisfied in full by the allotment and issuance of 1,055,946 new ordinary shares in Rubber Works, which was completed on 3 May 2016; and
	(iii) Acquisition of Rubber Works.
Constitution	: Constitution of our Company
Dato' Seri Cheah	: Dato' Seri Cheah Eu Kiat, one of our Promoters, Executive Directors, Offerors and Substantial Shareholders
Depositor	: A holder of a Securities Account
Director	: A member of our Board
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or any electronic storage medium, including but not limited to CD-ROMs (<i>compact disc read-only memory</i>)
Electronic Share Application	: Application for our Issue Shares through a Participating Financial Institution's ATM
Eligible Persons	: Collectively, our Directors, eligible employees and persons who have contributed to the success of our Group, as further detailed in Section 4.3.1(b) of this Prospectus
EPS	: Earnings per Share
Eversafe Rubber or Company	: Eversafe Rubber Berhad (1133877-V)
Eversafe Rubber Group or Group	: Collectively, Eversafe Rubber and our subsidiaries
Eversafe Rubber Shares or Shares	: Ordinary shares in Eversafe Rubber
Executive Directors	: Our Executive Directors, namely Dato' Seri Cheah, Eu Ah Seng and Cheah Siang Tee
FPE	: Nine (9)-month financial period ended 30 September
FYE	: Financial year ended / ending 31 December
GDP	: Gross domestic product

DEFINITIONS *(cont'd)*

GP	:	Gross profit
GST	:	Goods and services tax
IFRS	:	International Financial Reporting Standards issued by the International Accounting Standards Board
IMR Report	:	The executive summary of independent market research report dated 22 February 2017 prepared by the independent market researcher, Infobusiness Research & Consulting Sdn Bhd (498926-P), as set out in Section 8 of this Prospectus
Institutional Offering	:	Offering of up to 54,000,000 IPO Shares at the IPO Price comprising:- <ul style="list-style-type: none"> (i) 24,000,000 Issue Shares and up to 6,000,000 Offer Shares by way of private placement to institutional and selected investors; and (ii) up to 24,000,000 Offer Shares by way of placement to Bumiputera investors approved by the MITI, subject to clawback and reallocation provisions (<i>see Section 4.3.4 of this Prospectus</i>)
Internet Participating Financial Institution	:	Participating financial institution for Internet Share Application, which is set out in Section 16 of this Prospectus
Internet Share Application	:	Application for our Issue Shares through an Internet Participating Financial Institution
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	:	The issue / offer price of RM0.36 per IPO Share payable by you for our IPO Shares
IPO Shares	:	Issue Shares and Offer Shares, collectively
IPR	:	Intellectual property rights
ISO	:	International Organisation for Standardisation
Issue Shares	:	48,000,000 new Shares to be made available for application pursuant to the Public Issue
Issuing House or Tricor	:	Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
JV	:	Joint venture
Key Management	:	Key management personnel of our Group comprising Leong Yew Wah, Koid Lay Peng, Lee Chee Kong, Eu Hong Lim and Anuar bin Atan as well as our Executive Directors. Their profiles are set out in Section 9 of this Prospectus
Lee Rubber	:	Lee Rubber (Selangor) Sdn Bhd, our sole supplier of natural rubber

DEFINITIONS (cont'd)

Listing	:	Admission to the Official List and the listing and quotation of our entire issued share capital on the ACE Market of Bursa Securities
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	28 February 2017, being the latest practicable date prior to the registration of this Prospectus with the SC
Malaysian Public or Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities
Mercury Securities	:	Mercury Securities Sdn Bhd (113193-W), being our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent for our IPO
MFRS	:	Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of International Trade and Industry of Malaysia
MS	:	Malaysian Standard accredited by the Department of Standards Malaysia
MT	:	Metric tonnes
N/A	:	Not applicable
NA	:	Net assets
NBV	:	Net book value
Offer for Sale	:	Invitation by the Offerors to institutional investors, selected investors and Bumiputera investors approved by the MITI to purchase the Offer Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Offerors	:	The offerors pursuant to the Offer for Sale, namely Tai Hin, Dato' Seri Cheah, Eu Ah Seng, Sang Ah Weng, Lee Chu Siong, Tan Huen Man, Chuah Meng Hing, Aishah Chuah binti Abdullah, Chuah Chin Liang and Chuah Hann Yan collectively. See Section 4.3.2 of this Prospectus for further details
Offer Shares	:	Up to 30,000,000 Shares, which are the subject of the Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing and which have not been removed from the ACE Market of Bursa Securities
OTR	:	Off-the-road
Participating Financial Institution	:	Participating financial institution for Electronic Share Application, which is set out in Section 16 of this Prospectus
PAT	:	Profit after taxation

DEFINITIONS (cont'd)

PBT	:	Profit before taxation
PE Multiple	:	Price-to-earnings multiple
Pink Form Shares	:	The 11,500,000 Issue Shares of our Company representing 4.78% of the enlarged total number of Shares at the IPO Price to be issued to the Eligible Persons
PRC	:	The People's Republic of China
Prescribed Security	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provisions of the SICDA and the Rules of Bursa Depository
Promoters	:	Tai Hin, Dato' Seri Cheah and Eu Ah Seng collectively
Prospectus	:	This Prospectus dated 31 March 2017 issued by our Company in respect of our IPO
Public Issue	:	Invitation by our Company to the Public to subscribe for our Issue Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
QC	:	Quality control
QMS	:	Quality management system
Record of Depositors	:	A record provided by Bursa Depository to our Company under the Rules of Bursa Depository
Reporting Accountants or BDO	:	Messrs BDO (AF: 0206)
Retail Offering	:	Offering of 24,000,000 Issue Shares at the IPO Price comprising:- <ul style="list-style-type: none"> (i) 12,500,000 Issue Shares made available to the Malaysian Public (of which at least 50% is reserved for subscription by Bumiputera public); and (ii) 11,500,000 Issue Shares made available to Eligible Persons, subject to clawback and reallocation provisions (see Section 4.3.4 of this Prospectus)
ROC	:	Registrar of Companies
SC	:	Securities Commission Malaysia
Securities Account or CDS Account	:	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
SICDA	:	Securities Industry (Central Depositories) Act, 1991
SIRIM	:	Standards and Industrial Research Institute of Malaysia
SIRIM QAS	:	SIRIM QAS International Sdn Bhd

DEFINITIONS (cont'd)

Sq. ft.	:	Square feet
Substantial Shareholders	:	Collectively, Tai Hin, Dato' Seri Cheah and Eu Ah Seng, who respectively have an interest (<i>direct and/or indirect</i>) in our Shares, the nominal amount of which is at least 5% of the aggregate nominal amount of all the voting shares of our Company
Tai Hin	:	Tai Hin & Son (PG) Sdn Bhd (38026-W), one of our Promoters, Offerors and Substantial Shareholders
Taiwan	:	The Republic of China
Underwriting Agreement	:	Underwriting agreement dated 13 March 2017 entered into between our Company and Mercury Securities, being our Sole Underwriter for the underwriting of all the 24,000,000 Issue Shares under the Retail Offering. Notwithstanding that, the final number of Issue Shares to be taken up by our Sole Underwriter and/or its nominees shall be such remaining Issue Shares under the Retail Offering not applied for after being subject to clawback and reallocation provisions set out in Section 4.3.4 of this Prospectus
US	:	United States of America

CURRENCIES

AUD	:	Australian Dollar
EUR	:	Euro
HKD	:	Hong Kong Dollar
JPY	:	Japanese Yen
RM and sen	:	Ringgit Malaysia and sen
RMB	:	Renminbi
SGD	:	Singapore Dollar
USD	:	US Dollar

SUBSIDIARY OF EVERS SAFE RUBBER

Rubber Works	:	Eversafe Rubber Works Sdn Bhd (60543-X)
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SUBSIDIARIES OF RUBBER WORKS

Eversafe Shanghai	:	Eversafe Trading (Shanghai) Co Ltd (爱维安贸易(上海)有限公司 or Shanghai Aiweian Trading Co., Ltd.) (PRC Registration No. 91310115717858151Q), incorporated in PRC as a wholly foreign-owned enterprise under PRC Law of Wholly Foreign-Owned Enterprises
Eversafe Trading	:	Eversafe Trading Sdn Bhd (28945-P)
Olympic	:	Olympic Retreads (M) Sdn Bhd (15519-T)

DEFINITIONS *(cont'd)*

Supreme Good : Supreme Good International Limited (德超国际有限公司) (Hong Kong Company No. 1074003), incorporated in Hong Kong as a private limited company under the Hong Kong Companies Ordinance (Chapter 32)

SUBSIDIARY OF SUPREME GOOD

Jiaxing : Jiaxing YongAn Rubber Co Ltd (嘉兴永安橡胶有限公司) (PRC Registration No. 91330400661714879N), incorporated in PRC as a wholly foreign-owned enterprise under PRC Law of Wholly Foreign-Owned Enterprises

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GLOSSARY OF TECHNICAL TERMS

anti-tacking	:	Process wherein an anti-tacking coating is applied to the surface of rubber compounds to keep them separated as hot rubber compounds have a tendency to stick together due to their tackiness
buffing	:	Shaving process to remove unwanted tread and/or sidewall rubber
calendering	:	Process wherein rubber compounds are cut into a roll form and passed through a series of rollers to flatten the rubber compounds into a rubber sheet with pre-determined thickness and width
camelbacks	:	Unvulcanised rubber strips added to the surface of the buffed tyre casings and are mainly used in hot cure tyre retreading. These strips take the pattern of the mould during the process of vulcanisation
carbon black	:	Carbon black is produced from crude oil and natural gas, as well as coal (<i>all are carbonaceous fuels</i>). It is one of the most common fillers used to provide the physical strength and black colour in rubber compounds used in tyres
cementing	:	Process of applying adhesives to the new rubber tread and buffed tyre casing for bonding
cold cure tyre retreading	:	Tyre retreading process whereby the pre-cured tread liner is applied with a layer of cushion gum on a buffed tyre casing. They are held together in a tyre press and are then autoclaved in a curing chamber, bonded and cured
curing	:	Process of treating a rubber compound to convert it from a fluid state to a solid state desired in the commercial product
cushion gums	:	Strong adhesive strips used to bond pre-cured tread liners and camelbacks to the prepared surface of the buffed tyre casings
enveloping	:	Process wherein outer parts of a tyre casing are mounted with envelopes for curing process
extrusion	:	Process wherein rubber compounds are fed into an extruder to undergo a pushing process through a screw and die under pressure to form extruded rubber i.e. camelbacks, orbitreads and repair ropes in our case
hot cure tyre retreading	:	Tyre retreading process whereby an unvulcanised rubber strip is applied to a buffed tyre casing. The tyre is then placed into a pre-fabricated mould. The rubber in the tread area vulcanises and adheres to the tyre casing when the mould is heated
masterbatch	:	A form of raw rubber compound used in the manufacturing of other tyre retreading materials. It is an essential raw material which is further compounded with chemicals, such as sulphur, accelerators and/or other additives, to form the desired rubber compounds
moulding	:	Process wherein a blank rubber sheet is pressed in a mould in order to produce pre-cured tread liner with pre-designed tread liner pattern
orbitreads	:	Extruded rubber compounds used in hot cure tyre retreading for OTR tyres. Unlike tyres for other commercial vehicles, OTR tyres are larger and hence, require the use of orbitreads (<i>instead of camelbacks</i>) in the retreading process
PBR	:	Polybutadiene rubber, which is a type of synthetic rubber

GLOSSARY OF TECHNICAL TERMS (cont'd)

petrochemicals	:	Industrially important organic chemicals which are derived from crude oil or natural gas
pre-cured tread liners	:	Pre-vulcanised rubber strips moulded with patterns and profiles. They are used in cold cure tyre retreading
repair ropes	:	Rubber compounds extruded in a rope form. Repair ropes are used in the process of repairing tyres
rimming	:	Process wherein inner parts of a tyre casing are mounted with envelopes for curing process
rubber processing oils	:	Rubber processing oils are used during the mixing of rubber compounds. They assist in improving the dispersion of fillers and flow characteristics of the rubber compounds during processing
rubber compounds / rubber compounding	:	A combination of raw materials blended to achieve qualities that are appropriate to the performance requirements of each type of tyres
SBR	:	Styrene butadiene rubber, which is a type of synthetic rubber
sidewall veneers	:	Rubber compounds used to repair the tyre sidewalls and are used in hot cure tyre retreading
skiving	:	Process of removing loose rubber and debris on the surface of a buffed tyre casing
SMR	:	Standard Malaysian Rubber, used to classify the different grades of natural rubber produced in Malaysia
trimming	:	Process of removing excess rubber from the newly moulded tread liners or retreaded tyres
tubing	:	Process wherein an inflatable tube is placed inside a tyre casing to inflate the body of the tyre to the proper pressure inside the mould for hot cure tyre retreading
tyre retreaders	:	Manufacturers who are principally involved in tyre retreading operations
tyre retreading	:	Process of applying new treads to a used tyre casing
tyre retreading materials	:	Our tyre retreading materials include masterbatch, pre-cured tread liners, camelbacks, cushion gums, repair ropes, sidewall veneers and orbitreads
vulcanisation	:	The thermally initiated, irreversible process whereby polymer chains are cross-linked to form the final physical and chemical state of a rubber

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PRESENTATION OF INFORMATION

All references to “our Company” or “Eversafe Rubber” in this Prospectus are to Eversafe Rubber Berhad. All references to “our Group” or “Eversafe Rubber Group” in this Prospectus are to our Company and our subsidiaries, taken as a whole. References to “we”, “us”, “our” and “ourselves” are to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, references to “management” are to our Directors, Key Management and key technical personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our management.

In this Prospectus, references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. The word “approximately” used in this Prospectus indicates that a number is not exact, but that number is usually rounded off to the nearest hundredth or two (2) decimal places. Any discrepancies in the tables included in this Prospectus between the amounts listed and totals thereof are due to rounding. Other abbreviations used here are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall include the plural and *vice versa* and words denoting the masculine gender shall, where applicable, include the feminine gender and *vice versa*. Reference to persons shall include corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (*where the context admits*), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (*as the case may be*) as modified by any written law or (*if applicable*) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to a time or date shall be a reference to a time or date in Malaysia, unless otherwise stated.

References to the “LPD” in this Prospectus are to 28 February 2017, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by various third parties and us and cites third party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from the report prepared by Infobusiness Research & Consulting Sdn Bhd, an independent industry analyst, for inclusion in this Prospectus.

We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the market and industry in which we operate. However, we, our Directors, our Promoters, our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent have not independently verified these data and projections. Our Company, our Directors, our Promoters, our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent do not make any representation as to the correctness, accuracy or completeness of such data and projections and accordingly, you should not place undue reliance on the statistical data and projections cited in this Prospectus. Further, third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus and you should not rely on it. If there is any discrepancy between the contents of such website relating to our Group and this Prospectus, the information contained in this Prospectus shall prevail.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future result, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:-

- our business strategies and potential growth opportunities;
- our plans and objectives for future operations;
- our financial position;
- our financial earnings, cash flows and liquidity;
- the general industry environment, including the supply and demand for our products and services, trends and competitive position;
- our ability to pay dividends; and
- the regulatory environment and the effects of future regulation.

Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus on “Risk factors” and Section 12.3 of this Prospectus on “Significant factors affecting our Group’s financial performance”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

Save as required under Section 238(1) of the CMSA and Paragraph 1.02 of the Prospectus Guidelines (Supplementary and Replacement Prospectus), we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any changes in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You are deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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1. CORPORATE DIRECTORY**DIRECTORS**

Name	Address	Nationality	Profession
Tan Sri Dato' Dr. Sak Cheng Lum <i>(Independent Non-Executive Chairman)</i>	53 G, Jalan Choong Lye Hock 10470 Georgetown Pulau Pinang	Malaysian	Company director
Dato' Seri Cheah <i>(Executive Director)</i>	2410, Jalan Perusahaan Kawasan Perusahaan Perai 13600 Perai Pulau Pinang	Malaysian	Company director
Eu Ah Seng <i>(Executive Director)</i>	14, Jalan Selasar Rokam 20 Taman Mutiara 31350 Ipoh Perak	Malaysian	Company director
Cheah Siang Tee <i>(Chief Executive Officer / Executive Director)</i>	No. 80-12-10 Jalan Tanjung Tokong Marina Bay Condominium 10470 Georgetown Pulau Pinang	Malaysian	Company director
Cheah Eu Lee <i>(Non-Independent Non-Executive Director)</i>	1, Jalan Bagan 47 Taman Bagan 13400 Butterworth Pulau Pinang	Malaysian	Company director
Tuan Haji Mohd Isa bin Talib <i>(Independent Non-Executive Director)</i>	7272, Jalan Geliga Satu Taman Setia 53100 Kuala Lumpur	Malaysian	Company director
Ng Meng Kwai <i>(Independent Non-Executive Director)</i>	56, Jalan SS20/26 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	Malaysian	Chartered accountant
Ong Beow Chieh <i>(Independent Non-Executive Director)</i>	No. 2A, Lorong Sungai Kelian 2 11200 Tanjung Bungah Pulau Pinang	Malaysian	Lawyer

AUDIT COMMITTEE

Name	Designation	Directorship
Ng Meng Kwai	Chairman	Independent Non-Executive Director
Tan Sri Dato' Dr. Sak Cheng Lum	Member	Independent Non-Executive Chairman
Tuan Haji Mohd Isa bin Talib	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (cont'd)

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Dr. Sak Cheng Lum	Chairman	Independent Non-Executive Chairman
Tuan Haji Mohd Isa bin Talib	Member	Independent Non-Executive Director
Dato' Seri Cheah	Member	Executive Director

NOMINATING COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Dr. Sak Cheng Lum	Chairman	Independent Non-Executive Chairman
Cheah Eu Lee	Member	Non-Independent Non-Executive Director
Ng Meng Kwai	Member	Independent Non-Executive Director

COMPANY SECRETARIES

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

Unit 30-01, Level 30, Tower A
 Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur
 Wilayah Persekutuan
 Malaysia

Tel No. : +603 2783 9191
 Fax No. : +603 2783 9111

REGISTERED OFFICE

: Unit 30-01, Level 30, Tower A
 Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur
 Wilayah Persekutuan
 Malaysia

Tel No. : +603 2783 9191
 Fax No. : +603 2783 9111

HEAD / MANAGEMENT OFFICE

: Lot 94, Lebuhr Portland
 Tasek Industrial Estate
 31400 Ipoh
 Perak
 Malaysia

Tel No. : +605 291 0599
 Fax No. : +605 291 1699
 E-mail : enquiry@eversafe.com.my
 Website : www.eversafe.com.my

1. CORPORATE DIRECTORY *(cont'd)*

**PRINCIPAL ADVISER, SPONSOR,
SOLE UNDERWRITER AND SOLE
PLACEMENT AGENT** : Mercury Securities Sdn Bhd
L-7-2, No 2 Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur
Malaysia

Tel No. : +603 6203 7559
Fax No. : +603 6203 7560

**AUDITORS AND REPORTING
ACCOUNTANTS** : BDO (AF: 0206)
Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia

Tel No. : +603 2616 2888
Fax No. : +603 2616 2970

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 No. : +603 2283 2800
Fax No. : +603 2283 2500

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

Tel No. : +605 253 1998 / 1514
Fax No. : +605 253 5528 / 8430

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

Tel No. : +605 253 0048
Fax No. : +605 255 5251

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

Tel No. : +605 241 2200
Fax No. : +605 253 5240

1. **CORPORATE DIRECTORY** (cont'd)

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

Tel No. : +604 397 1950
Fax No. : +604 397 1946

ISSUING HOUSE AND 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
Wilayah Persekutuan
Malaysia

Tel No. : +603 2783 9299
Fax No. : +603 2783 9222

INDEPENDENT MARKET RESEARCHER

: Infobusiness Research & Consulting Sdn Bhd
C4-3A-2, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Malaysia

Tel No. : +603 6205 3930
Fax No. : +603 6205 3927

LISTING SOUGHT

: ACE Market of Bursa Securities

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2. INTRODUCTION

This Prospectus is dated 31 March 2017.

No securities will be allotted, issued or offered on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms, with the ROC, who takes no responsibility for its contents. The registration of this Prospectus should not be taken to indicate the SC recommends our IPO or assumes responsibility for the correctness of any statements made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

On 14 December 2016, approval was obtained from Bursa Securities for the listing and quotation of our Shares, including our IPO Shares which are the subject of this Prospectus, on the ACE Market of Bursa Securities. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure in this Prospectus by us and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of our IPO and an investment in us.

Our Shares will be admitted to the Official List and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to subsection 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Security. Consequently, the Shares offered in our IPO will be deposited directly with Bursa Depository. Any dealing in our Shares will be carried out in accordance with the provisions of the SICDA and the Rules of Bursa Depository. We will not issue any share certificates to successful applicants.

If our IPO Shares are not allotted pursuant to the IPO, monies paid in respect of any application for our IPO Shares will be returned to applicants (*without interest or any share of revenue or benefit arising therefrom*) and in accordance with the provision of subsection 243(2) of the CMSA. If such monies are not returned within 14 days after our Company becomes liable to repay it, then in addition to the liability of our Company, the officers of our Company shall be jointly and severally liable to return such monies with interest at the rate of 10% a year or at such other rate as may be prescribed by the SC from the expiration of that period.

Pursuant to the Listing Requirements, our Company is required to comply with the public spread requirement as determined by Bursa Securities, pursuant to which our Company is required to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 200 public shareholders holding not less than 100 Shares each upon completion of our IPO and at the time of Listing. Our Company is expected to achieve this at the time of Listing. If the above requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full (*without interest or any share of revenue or benefit arising therefrom*) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of subsection 243(2) of the CMSA shall apply accordingly.

2. INTRODUCTION *(cont'd)*

In the case of an application by way of the Application Form, you should state your CDS account number in the space provided in the Application Form. If you do not presently have a CDS account, you must open a CDS account with an ADA before making an application for our IPO Shares.

For an application by way of Electronic Share Application, only an applicant who has a CDS account number can make an Electronic Share Application and you should provide your CDS account number to a Participating Financial Institution by way of keying in your CDS account number if the instructions on the ATM screen at which you submit your Electronic Share Application require you to do so.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS account opened with an Internet Participating Financial Institution can make an Internet Share Application. Your CDS account number will automatically appear in the electronic IPO online application form. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application or Internet Share Application.

IF YOU ARE IN ANY DOUBT ABOUT THIS PROSPECTUS OR IN CONSIDERING YOUR INVESTMENT, OR IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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3. SUMMARY

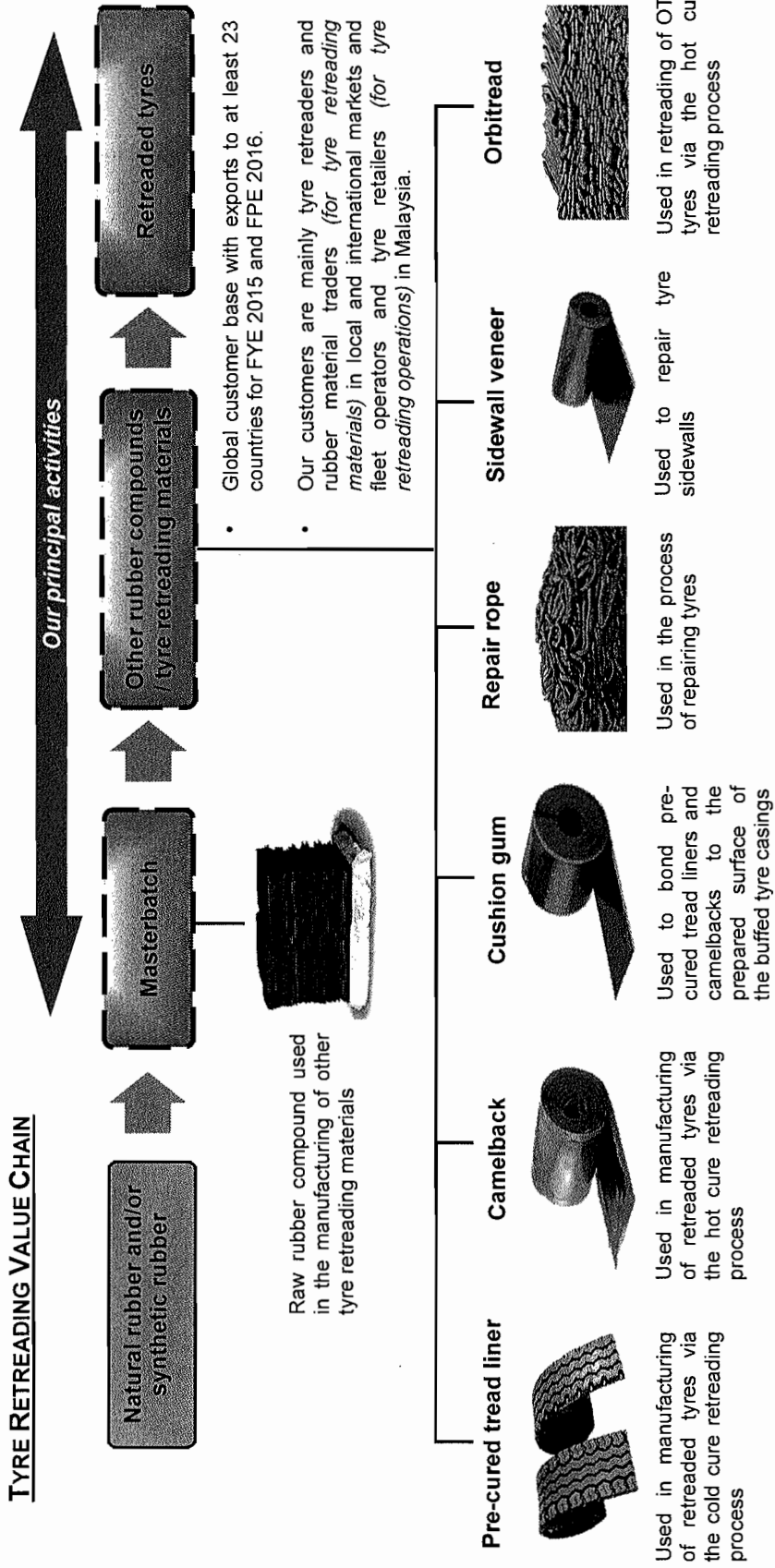
This summary highlights selected information from this Prospectus and may not contain all of the information about us and our IPO which may be important to you. You should read and understand the whole Prospectus before deciding whether to invest in our Shares.

3.1 Overview

We are principally involved in:-

- (i) the development, manufacturing and distribution of tyre retreading materials; and
- (ii) tyre retreading operations.

Below is a summary diagram of our business activities across the tyre retreading value chain, of which our products include masterbatch, other tyre retreading materials and retreaded tyres as described below:-



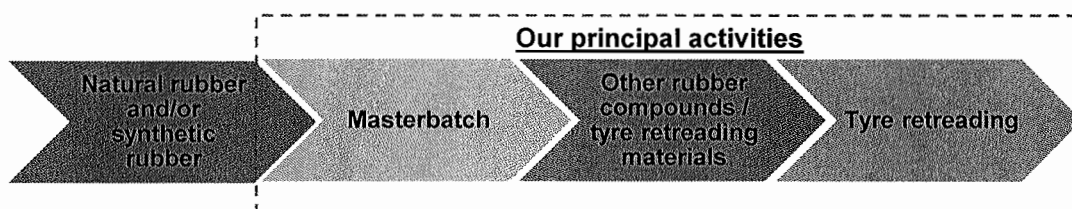
3. SUMMARY (cont'd)

Our wide reach to overseas markets provides us with valuable growth avenues where we are able to supply new product range with a focus on high value-added and premium products required by many international customers. For example, European customers may require specialised pre-cured tread liners for use in extreme winter conditions that demand softer compounds, finer tread patterns and various channels and grooves for better traction whilst South American customers may require more durable pre-cured tread liners and tougher sidewalls to absorb the impact of rocks and other heavy duty off-road conditions.

We view these markets as areas for growth and our future plans and growth strategies are designed to capitalise on these opportunities (see Section 7.3.3 of this Prospectus). Having a global customer base also mitigates the risks relating to concentration of customers and single country risk.

(iii) We are a tyre retreading solutions provider operating across the value chain

We are a tyre retreading solutions provider established in both the upstream and downstream sectors of the tyre retreading value chain. We commence our principal activities upstream from sourcing of raw materials comprising natural rubber, synthetic rubber, carbon black, rubber processing oil and chemicals, to producing masterbatch, which is further developed into other tyre retreading materials and ultimately to tyre retreading products and services downstream, as illustrated below:-



By serving across the value chain, we are able to understand the diversity of specific requirements expected by our upstream to wholesale customers across the chain. It helps us in our formulation and development of new and improved rubber compounds used in the manufacturing of our tyre retreading materials and we are able to leverage on our downstream activities to provide our customers with total tyre retreading solutions to meet their needs. We believe our ability to integrate our business and operations across the value chain is key to maintaining competitiveness in the market.

(iv) We possess the expertise and experience garnered over half a century

Our Group's founders and key directors have been involved in rubber-related industries since the 1960s, from trading of raw rubber and servicing the retail tyre markets to currently producing rubber compounds for the global tyre industry as well as running wholesale tyre retreading operations (see Section 9 of this Prospectus for details of our Directors and Key Management). As such, we have the necessary experience, knowledge and network, and shall endeavour to deliver quality products and services to meet our customers' requirements. We also provide our young management personnel the opportunity to attend relevant training programmes to groom the next generation of talents to assist in running and growing our business.

3. SUMMARY (cont'd)

(v) Development and customisation capabilities to meet unique requirements

Leveraging on our decades of experience in the rubber compounding industry, we are able to develop and customise various formulations to fulfill the unique and evolving requirements of our customers for applications in different weather and workload conditions. Our database of rubber compounding formulations is also constantly being improvised via continuous feedback from our customers. As such, our formulation of tyre retreading materials cannot be easily plagiarised by other competitors.

See Section 7.3.2 of this Prospectus for further details on our competitive advantages and key strengths.

3.3 Future plans and strategies

Our Group will focus on (i) growing overseas market; and (ii) enhancing product quality via the implementation of the following future plans and strategies:-

(i) Increase export sales to overseas markets

For our tyre retreading materials business, we plan to increase our export sales and our geographical footprint to various overseas markets. The new markets we intend to expand to will primarily be outside the ASEAN region, with a focus on the South American region. Although we exported to at least 23 countries around the world for FYE 2015 and FPE 2016, we are still expanding to new markets through trade fairs and exhibitions and other promotional activities and we plan to focus our efforts in Brazil and other countries in the potentially lucrative market of South America.

In 2016, we have identified a customer in South America (*a trader of tyre retreading materials*) to be our business partner for the South American market, where collaboration shall be in two (2) areas. Firstly, we have entered into a distribution agreement in September 2016 (*see further details in Section 15.5 of this Prospectus*) appointing our business partner to be the distributor to promote and market our tyre retreading materials for the South American market. Secondly, we are finalising details of a JV arrangement with our business partner to establish a tyre retreading plant in South America. The JV arrangement will be such that our Group will supply tyre retreading materials such as pre-cured tread liners and cushion gums for the tyre retreading plant in South America whilst the JV entity to be incorporated shall market and distribute the retreaded tyres. In late-2016, our business partner has rented a factory in South America and we have been working together in planning the factory set-up. The installation works of the retreading plant are expected to commence in mid-2017 and the plant is expected to commence tyre retreading operations in mid-2018. As at the LPD, we have not incurred any financial commitments in respect of the JV arrangement. The sharing of any such commitments and/or benefits by our Group in the JV arrangement will depend on our eventual equity participation and finalisation of other terms in the JV agreement.

Furthermore, we will set up an office and storage facility in Eastern Europe in mid-2017 using internally generated funds. This is to better service our existing and potential customers in the whole European market. The premise will be used to carry out our administrative and marketing activities as well as for the storage of our products for the European market.

3. SUMMARY (cont'd)

(ii) Enhance manufacturing capabilities to widen range of products, with focus on high value-added and premium products

Over the period under review, we have managed to significantly increase our gross profit margins for our overseas markets (see Section 12.4.3 of this Prospectus) as we are able to command better pricing in certain overseas markets which demand a wider range of products that are of high value-added and premium products. Hence, we intend to utilise the IPO proceeds to establish manufacturing lines that are capable of producing such products.

(iii) Branding initiative and establish IPR in new overseas markets

We have already registered our trademarks in Malaysia and PRC. As a next step, we intend to trademark our brand in a number of countries (see Section 4.7.2 of this Prospectus) and towards this end, we expect to incur approximately RM2.0 million. We view the protection of our trademarks as an important step towards becoming an international player to secure and protect our logos and/or brand name, products' identity and integrity as well as our position in the new markets.

(iv) Improve efficiency, reduce wastage and ensure consistent product quality

We are investing in new manufacturing lines and manufacturing automation systems comprising automated buffing and packing lines, loading and unloading systems, robotic hands as well as conveyor systems in our manufacturing facilities in Malaysia (see Section 4.7.1 of this Prospectus for the breakdown of machineries and timing of such investment which will be within the next two (2) years).

With enhanced automation systems in place, we will be able to improve the consistency of our product quality, increase production efficiency, reduce wastage and reduce human error. This is also in line with our strategy to reduce our dependency on foreign workers.

The rationale for investing in new manufacturing lines and manufacturing automation systems vis-à-vis our manufacturing capacity utilisation rate are set out in the Notes to Section 7.4.2 of this Prospectus.

See Section 7.3.3 of this Prospectus for further information on our future plans and strategies.

3.4 Risk factors

Before investing in our IPO Shares, you should carefully consider all information contained in this Prospectus including but not limited to the following investment considerations and risks:-

3.4.1 Risks affecting our business and operations

- (i) We rely on our major suppliers for a consistent supply of raw materials.
- (ii) We rely on our Directors and Key Management for our business.
- (iii) We rely on foreign workers in our manufacturing operations.
- (iv) We may face manufacturing and/or operational disruptions.
- (v) Our manufacturing licenses, business licenses and permits may be revoked.
- (vi) Our Eversafe Rubber and Olympic trademarks may suffer from unauthorised use or exploitation.
- (vii) Our future plans and growth strategies may not achieve our objectives.

3. SUMMARY *(cont'd)*

- (viii) We are subject to risk of inadequate insurance coverage.
- (ix) We are subject to risks of public liability claims and other disputes.
- (x) We are subject to risk of changes to environmental legislations that may materially affect our operations.

3.4.2 Risks affecting the industry in which we operate

- (i) We are subject to the volatility in prices of raw materials.
- (ii) We are exposed to fluctuation in foreign exchange rates.
- (iii) It is the normal industry practice that our customers do not enter into long-term contracts with us.
- (iv) Our tyre retreading materials may be subject to unauthorised use for spurious tyres.
- (v) We face competition from existing and new market entrants locally and overseas.
- (vi) Our performance is dependent on the general state of the Malaysia's economy.
- (vii) We are subject to political, economic and social developments in Malaysia.

3.4.3 Risks affecting our Shares

- (i) There may be delay or failure of our Listing.
- (ii) There has been no prior market for our Shares and it is uncertain whether a sustainable market will ever develop.
- (iii) The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders.
- (iv) We cannot assure you that we will declare and distribute any amounts of dividends in the future.
- (v) The market price and trading volume of our Shares may be volatile.

See Section 5 of this Prospectus for further details on risk factors affecting our business and operations, the industry in which we operate and our Shares.

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3. SUMMARY (cont'd)

3.5 Promoters, Substantial Shareholders, Directors and Key Management

Our Promoters, Substantial Shareholders, Directors and Key Management are as listed below:-

<u>Name</u>	<u>Designation</u>
<u>Promoters and Substantial Shareholders</u>	
Tai Hin	Promoter and Substantial Shareholder
Dato' Seri Cheah	Executive Director
Eu Ah Seng	Executive Director
<u>Directors</u>	
Tan Sri Dato' Dr. Sak Cheng Lum	Independent Non-Executive Chairman
Dato' Seri Cheah	Executive Director
Eu Ah Seng	Executive Director
Cheah Siang Tee	Chief Executive Officer / Executive Director
Cheah Eu Lee	Non-Independent Non-Executive Director
Tuan Haji Mohd Isa bin Talib	Independent Non-Executive Director
Ng Meng Kwai	Independent Non-Executive Director
Ong Beow Chieh	Independent Non-Executive Director
<u>Key Management</u>	
Dato' Seri Cheah	Executive Director
Eu Ah Seng	Executive Director
Cheah Siang Tee	Chief Executive Officer / Executive Director
Leong Yew Wah	Chief of Internal Audit
Koid Lay Peng	Group Finance Manager
Lee Chee Kong	Marketing Manager
Eu Hong Lim	Export Sales Manager
Anuar bin Atan	Production Manager

For further information on our Promoters, Substantial Shareholders, Directors and Key Management, see Section 9 of this Prospectus.

3. SUMMARY *(cont'd)*

3.6 Summary of historical financial information

3.6.1 Historical combined statements of profit or loss and other comprehensive income

The table below presents the audited combined statements of profit or loss and other comprehensive income of our Group for FYEs 2013, 2014 and 2015 as well as FPE 2016 which have been extracted from the Accountants' Report in Section 13 of this Prospectus as well as the unaudited combined statement of profit or loss and other comprehensive income of our Group for FPE 2015.

Our combined financial statements consist of the financial statements of Rubber Works and its subsidiaries, which were under common control throughout the reporting periods by virtue of common controlling shareholders in the ultimate holding company, Tai Hin. The financial information of Eversafe Rubber is not presented in our combined financial statements, as it is not meaningful since it was only incorporated to facilitate the IPO. The assets, liabilities, income and expenses of Eversafe Rubber for the financial period ended 31 December 2015 and FPE 2016 are insignificant relative to those of our Group.

Accordingly, the discussion and analysis of financial performance and financial condition of our Group for the past three (3) FYEs 2013, 2014 and 2015 as well as FPE 2016 respectively are based on and derived from the historical combined financial information of Rubber Works only.

The audited historical combined statements of profit or loss and other comprehensive income and financial position should be read in conjunction with the "Management's discussion and analysis of financial performance and financial condition" in Section 12.4 of this Prospectus and with the Accountants' Report in Section 13 of this Prospectus. The historical financial information included in this Prospectus is based on combined financial statements that have been prepared in accordance with MFRS, IFRS and the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants and have been audited by BDO in accordance with approved standards on auditing in Malaysia.

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3. SUMMARY (cont'd)

	Audited			Unaudited	Audited
	FYE 2013	FYE 2014	FYE 2015	FPE 2015	FPE 2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	80,816	81,387	75,297	57,735	55,066
Cost of sales	(63,010)	(63,174)	(58,067)	(44,348)	(40,922)
GP	17,806	18,213	17,230	13,387	14,144
Other operating income	776	588	2,014	2,505	2,579
Distribution costs	(4,268)	(5,210)	(5,299)	(3,830)	(3,367)
Administrative expenses	(4,594)	(4,865)	(5,577)	(3,912)	(3,585)
Other operating expenses	(48)	(149)	(181)	-	-
Profit from operations	9,672	8,577	8,187	8,150	9,771
Finance income	125	109	106	88	109
Finance costs	(622)	(724)	(683)	(536)	(382)
PBT	9,175	7,962	7,610	7,702	9,498
Tax expense	(2,620)	(2,643)	(1,781)	(2,290)	(2,051)
PAT attributable to common controlling shareholders of the combining entities	6,555	5,319	5,829	5,412	7,447
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss:-</i>					
Foreign currency translations, net of tax	(111)	(96)	(415)	(572)	(634)
Total comprehensive income, attributable to common controlling shareholders of the combining entities	6,444	5,223	5,414	4,840	6,813
PBT is derived after charging:-					
- Depreciation and amortisation	2,514	3,139	3,531	2,620	2,675
GP margin ⁽¹⁾ (%)	22.0	22.4	22.9	23.2	25.7
PBT margin ⁽²⁾ (%)	11.4	9.8	10.1	13.3	17.2
PAT margin ⁽³⁾ (%)	8.1	6.5	7.7	9.4	13.5
Basic and diluted EPS ⁽⁴⁾⁽⁵⁾ (sen)	2.7	2.2	2.4	2.3	3.1

Notes:-

- (1) GP margin is computed based on the GP over revenue.
- (2) PBT margin is computed based on the PBT over revenue.
- (3) PAT margin is computed based on the PAT over revenue.
- (4) Basic EPS is computed based on PAT attributable to common controlling shareholders of the combining entities divided by the enlarged total number of 240,593,796 Shares after the IPO.
- (5) Our Group does not have any outstanding convertible security.

See Section 12 of this Prospectus for further discussion on our combined statements of profit or loss and other comprehensive income.

3. SUMMARY (cont'd)

3.6.2 Summary of combined statements of cash flows

The following table sets out a summary of our Group's combined statements of cash flows for the period under review, and should be read in conjunction with the Accountants' Report in Section 13 of this Prospectus.

	Audited			
	FYE			FPE
	2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	17,574	6,172	9,649	4,694
Net cash used in investing activities	(11,911)	(7,134)	(674)	(447)
Net cash (used in) / from financing activities	(3,944)	446	(8,053)	(1,734)
Net increase / (decrease) in cash and cash equivalents	1,719	(516)	922	2,513
Effect of foreign exchange rate changes	93	161	353	(50)
Cash and cash equivalents at the beginning of the period	1,349	3,161	2,806	4,081
Cash and cash equivalents at the end of the period	3,161	2,806	4,081	6,544

See Section 12 of this Prospectus for further discussion on our combined statements of cash flows.

3.6.3 Selected pro forma statement of financial position

Presented below is the pro forma statement of financial position of our Group as at 30 September 2016. The pro forma statement of financial position has been prepared on the basis consistent with the accounting policies adopted by our Group, in accordance with MFRS, IFRS and the requirements of the Prospectus Guidelines as issued by the SC.

The pro forma statement of financial position should be read in conjunction with the Reporting Accountants' report on the compilation of the pro forma financial information as set out in Section 12.13 of this Prospectus.

	As at 30.09.2016	Pro forma I After IPO and utilisation of proceeds
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	30,247	42,827
Trade receivable	69	69
Total non-current assets	30,316	42,896

3. SUMMARY (cont'd)

	As at 30.09.2016	Pro forma I After IPO and utilisation of proceeds
	RM'000	RM'000
Current assets		
Inventories	11,343	11,343
Trade receivables	22,251	22,251
Other receivables, deposits and prepayments	3,545	3,545
Amount owing by ultimate holding company	14	14
Amounts owing by related companies	440	440
Current tax assets	74	74
Cash and bank balances	12,389	12,389
Total current assets	50,056	50,056
TOTAL ASSETS	80,372	92,952
Equity		
Invested equity	10,094	-
Share capital	-	65,428
Reserves	44,847	2,093
Total equity	54,941	67,521
Non-current liabilities		
Deferred tax liabilities	4,103	4,103
Borrowings	1,407	1,407
Total non-current liabilities	5,510	5,510
Current liabilities		
Trade payables	3,472	3,472
Other payables and accrued expenses	1,901	1,901
Amount owing to ultimate holding company	21	21
Amounts owing to related companies	2	2
Amounts owing to Directors	90	90
Borrowings	13,009	13,009
Current tax liabilities	1,426	1,426
Total current liabilities	19,921	19,921
TOTAL LIABILITIES	25,431	25,431

3. SUMMARY (cont'd)

	<u>As at 30.09.2016</u>	<u>Pro forma I After IPO and utilisation of proceeds</u>
	RM'000	RM'000
TOTAL EQUITY AND LIABILITIES	80,372	92,952
Number of ordinary shares ('000)	192,594	240,594
NA per ordinary share	0.29	0.28

See Section 12 of this Prospectus for further discussion on our combined statements of financial position.

3.6.4 Capitalisation and indebtedness

The following table summarises our pro forma cash and cash equivalents as well as capitalisation and indebtedness based on the unaudited combined statement of financial position of our Group as at 31 January 2017 and giving effect to the completion of our IPO and the utilisation of proceeds having occurred on 31 January 2017. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 January 2017 and is provided for illustration purposes only.

	<u>Unaudited</u>	<u>Pro forma I After IPO and utilisation of proceeds</u>
	<u>As at 31.01.2017</u>	<u>RM'000</u>
	RM'000	RM'000
Cash and cash equivalents⁽¹⁾⁽²⁾	3,931	7,952
Indebtedness		
<u>Current</u>		
- Bankers' acceptances	13,542	13,542
- Term loans ⁽²⁾	873	293
- Hire purchase and lease creditors	288	288
- Bank overdraft	711	711
	<u>15,414</u>	<u>14,834</u>
<u>Non-current</u>		
- Term loans	2,261	2,261
- Hire purchase and lease creditors	449	449
	<u>2,710</u>	<u>2,710</u>
Total indebtedness⁽³⁾	18,124	17,544
Total shareholders' equity / capitalisation	55,561	68,508
Total capitalisation and indebtedness	73,685	86,052
Gearing ratio (times) ⁽⁴⁾	0.3	0.3

Notes:-

(1) Cash and cash equivalents comprise cash and bank balances excluding all deposits with licensed banks which are pledged as security for borrowings.

3. SUMMARY (cont'd)

- (2) Assuming part of the IPO proceeds are used for (i) replenishment of our internally generated funds (RM2.021 million for prepaid listing expenses and RM2.000 million prepaid for new manufacturing lines and automation systems); and (ii) partial repayment of borrowings drawdown for new manufacturing lines and automation systems (RM0.580 million).
- (3) Total indebtedness includes current and non-current borrowings, all of which are secured against our Group's assets. Our borrowings are jointly and severally guaranteed by certain of our Directors.
- (4) Computed based on total indebtedness (as computed in note (3) above) divided by total shareholders' equity.

3.7 Particulars of our IPO

Our IPO of up to 78,000,000 Shares will be allocated in the following manner: -

	Public Issue		Offer for Sale (up to)		Total (up to)	
	<u>No. of Shares ('000)</u>	<u>%⁽¹⁾</u>	<u>No. of Shares ('000)</u>	<u>%⁽¹⁾</u>	<u>No. of Shares ('000)</u>	<u>%⁽¹⁾</u>
<u>Retail Offering</u>						
Malaysian Public (via balloting)						
• Bumiputera	6,250	2.598	-	-	6,250	2.598
• Non-Bumiputera	6,250	2.598	-	-	6,250	2.598
Eligible Persons	11,500	4.780	-	-	11,500	4.780
<u>Institutional Offering</u>						
Private placement to institutional and selected investors	24,000	9.975	6,000	2.494	30,000	12.469
Bumiputera investors approved by the MITI (via placement)	-	-	24,000	9.975	24,000	9.975
Total	48,000	19.951	30,000	12.469	78,000	32.420

Note:-

(1) Based on the enlarged total number of 240,593,796 Shares after our IPO.

For further information on our IPO, see Section 4 of this Prospectus.

3.8 Utilisation of proceeds

<u>Details of utilisation</u>	<u>Estimated timeframe for utilisation upon Listing</u>	<u>RM'000</u>	<u>%</u>
(i) New manufacturing lines and enhanced automation systems	Within 24 months	12,580	72.8
(ii) Establish IPR and overseas branding initiative	Within 36 months	1,500	8.7
(iii) Estimated listing expenses	Immediate	3,200	18.5
Total		17,280	100.0

See Section 4.7 of this Prospectus for further details on utilisation of proceeds from our IPO.

3.9 Dividend policy

Subject to the considerations as set out in Section 12.12 of this Prospectus, our Board intends to recommend and distribute dividends of between 40% and 60% of our annual Group's PAT attributable to the shareholders of our Company (excluding non-recurring items) in the near future. For FYE 2016, this is expected to translate to a dividend yield of approximately 5% based on our IPO Price.

4. DETAILS OF OUR IPO

4.1 Opening and closing of applications

The application period will open at 10.00 a.m. on 31 March 2017 and close at 5.00 p.m. on 10 April 2017 or such other date(s) as our Directors and Promoters, together with our Sole Underwriter may, in their absolute discretion, mutually decide.

4.2 Indicative timetable

An indicative timetable for our IPO is set out below:-

Events	Date
Issuance of this Prospectus / Opening date of our IPO	10.00 a.m. 31 March 2017
Closing date of our IPO	5.00 p.m. 10 April 2017
Balloting of applications	12 April 2017
Allotment of our IPO Shares	19 April 2017
Listing	21 April 2017

The above dates are tentative and are subject to changes that may be necessary to facilitate the implementation procedures. The application period will open at 10.00 a.m. on 31 March 2017 and close at 5.00 p.m. on 10 April 2017 or such other date(s) as our Directors and Promoters, together with our Sole Underwriter may, in their absolute discretion, mutually decide.

If the closing date of the application is extended, the dates for the balloting, allotment of our IPO Shares and our Listing will be extended accordingly. We will advertise notice of such extension in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia prior to the original closing date of the application.

4.3 Particulars of our IPO

Our IPO of up to 78,000,000 Shares will be allocated in the following manner: -

4.3.1 Public Issue

Our Public Issue of 48,000,000 Issue Shares at the IPO Price of RM0.36, payable in full on application, is subject to the terms and conditions of this Prospectus and will be allocated in the following manner:-

(a) Malaysian Public (*via balloting*)

12,500,000 Issue Shares (*representing 5.20% of our enlarged total number of Shares*) to be allocated via balloting, will be made available for Application by the Malaysian Public, of which at least 50% shall be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Eligible Persons

11,500,000 Issue Shares (*representing 4.78% of our enlarged total number of Shares*) will be offered to our Directors, eligible employees and persons who have contributed to the success of our Group.

4. DETAILS OF OUR IPO (cont'd)

The Pink Form Shares will be allocated to our Directors who wish to participate in the Pink Form Share allocation whilst eligible employees of our Group will be allocated Pink Form Shares based on the following eligibility criteria as approved by our Board:-

- (i) at least eighteen (18) years old;
- (ii) designation and position;
- (iii) length of service; and
- (iv) contribution to our Group.

Our Independent Directors as well as Promoters do not participate in the Pink Form Share allocation. As such, our Directors who are entitled for the Pink Form Shares are as follows:-

<u>Name of Directors</u>	<u>Designation</u>	<u>No. of Shares</u>
Cheah Siang Tee	Chief Executive Officer / Executive Director	700,000
Cheah Eu Lee	Non-Independent Non-Executive Director	700,000
		<u>1,400,000</u>

The Pink Form Shares to be allocated to business associates of our Group will take into consideration their contribution to the success of our Group.

Details of the Pink Form Share allocation to our Directors, eligible employees and persons who have contributed to the success of our Group are as follows:-

	<u>Number of persons</u>	<u>Pink Form Share allocation</u>
Directors	2	1,400,000
Eligible employees	up to 50	5,100,000
Persons who have contributed to the success of our Group	up to 100	5,000,000
		<u>11,500,000</u>

(c) Private placement to institutional and selected investors

24,000,000 Issue Shares (*representing 9.98% of our enlarged total number of Shares*) will be made available by way of private placement to institutional and selected investors.

The Public Issue will increase our issued share capital from RM48,148,449 comprising 192,593,796 Shares to RM65,428,449 comprising 240,593,796 Shares.

4. DETAILS OF OUR IPO (cont'd)

4.3.2 Offer for Sale

The Offerors are offering up to 30,000,000 Offer Shares (representing up to 12.47% of our enlarged total number of Shares) to be placed out at the IPO Price to institutional investors, selected investors and Bumiputera investors approved by the MITI. The details of the Offerors and their respective shareholdings in our Company before and after our IPO (assuming that all 30,000,000 Offer Shares are fully placed out) are as follows:-

Name and address of Offerors	Relationship with our Group for the past three (3) years up to LPD	Before the IPO		Offer for Sale (up to)		After the IPO	
		No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Tai Hin 2410, Jalan Perusahaan Kawasan Perusahaan Perai 13600 Perai Pulau Pinang	Our Promoter and Substantial Shareholder	138,461,444	71.893	21,567,898	11.199	8,964	48.585
Dato' Seri Cheah 2410, Jalan Perusahaan Kawasan Perusahaan Perai 13600 Perai Pulau Pinang	Our Promoter and Substantial Shareholder as well as director of the following entities:- (i) Eversafe Rubber; (ii) Rubber Works; (iii) Eversafe Trading; (iv) Eversafe Shanghai; (v) Supreme Good; and (vi) Olympic	18,227,504	9.464	2,839,266	1.474	1,180	6.396
Eu Ah Seng 14, Jalan Selasar Rokam 20 Taman Mutiara 31350 Ipoh Perak	Our Promoter and Substantial Shareholder as well as director of the following entities:- (i) Eversafe Rubber; (ii) Rubber Works; (iii) Eversafe Trading; and (iv) Eversafe Shanghai	19,790,005	10.275	3,082,655	1.601	1,281	6.944
Sang Ah Weng 38, Regat Tasek Jaya Satu Taman Tasek Jaya 31400 Ipoh Perak	Our shareholder and director of the following entities:- (i) Rubber Works; and (ii) Eversafe Trading	8,859,031	4.600	1,379,956	0.717	0.574	3.109

4. DETAILS OF OUR IPO (cont'd)

Name and address of Offerors	Relationship with our Group for the past three (3) years up to LPD	Before the IPO		Offer for Sale (up to)		After the IPO	
		No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Lee Chu Siong 40, Lebuhraya Shatin 6 Taman Sinfar 31650 Ipoh Perak	Our shareholder and key management personnel of the following entities:- (i) Rubber Works; and (ii) Eversafe Trading	883,482	0.459	137,618	0.071	745,864	0.310
Tan Huen Man 11, Jalan Bendahara 31650 Ipoh Perak	Our shareholder	1,168,176	0.607	181,965	0.094	986,211	0.410
Chuah Meng Hing 20, Persiaran Galeri Kepayang 1 Taman Galeri Sukma 30450 Ipoh Perak	Our shareholder	1,901,025	0.987	296,119	0.154	1,604,906	0.667
Aishah Chuah binti Abdullah 47, Regat Tasek Jaya 2 Taman Tasek Jaya 31400 Ipoh Perak	Our shareholder	768,100	0.399	119,646	0.062	648,454	0.270
Chuah Chin Liang 17, Jalan Wah Keong Taman Wah Keong 31400 Ipoh Perak	Our shareholder	768,064	0.399	119,640	0.062	648,424	0.269
Chuah Hann Yan 36, Persiaran Tembok 8 Taman Sri Desa 30010 Ipoh Perak	Our shareholder	1,766,965	0.917	275,237	0.143	1,491,728	0.620

Notes:-

(1) Based on the total number of 192,593,796 Shares after the Acquisition of Rubber Works.
(2) Based on the enlarged total number of 240,593,796 Shares after our IPO.

4. DETAILS OF OUR IPO (cont'd)**4.3.3 Summary of IPO Shares to be allocated and underwriting**

A summary of our IPO Shares allocated under the Retail Offering and Institutional Offering (subject to clawback and reallocation provisions set out in Section 4.3.4 below) is as follows:-

	Public Issue		Offer for Sale (up to)		Total (up to)	
	<u>No. of Shares ('000)</u>	<u>%⁽¹⁾</u>	<u>No. of Shares ('000)</u>	<u>%⁽¹⁾</u>	<u>No. of Shares ('000)</u>	<u>%⁽¹⁾</u>
<u>Retail Offering</u>						
Malaysian Public (via balloting)						
• Bumiputera	6,250	2.598	-	-	6,250	2.598
• Non-Bumiputera	6,250	2.598	-	-	6,250	2.598
Eligible Persons	11,500	4.780	-	-	11,500	4.780
<u>Institutional Offering</u>						
Private placement to institutional and selected investors	24,000	9.975	6,000	2.494	30,000	12.469
Bumiputera investors approved by the MITI (via placement)	-	-	24,000	9.975	24,000	9.975
Total	48,000	19.951	30,000	12.469	78,000	32.420

Note:-

(1) Based on the enlarged total number of 240,593,796 Shares after our IPO.

All 24,000,000 Issue Shares made available under the Retail Offering have been fully underwritten.

The 24,000,000 Issue Shares and 6,000,000 Offer Shares made available to institutional and selected investors by way of private placement are not underwritten. Irrevocable undertakings have been or will be obtained from the institutional and selected investors to subscribe for our IPO Shares made available under the private placement.

The 24,000,000 Offer Shares made available to Bumiputera investors approved by the MITI are not underwritten as irrevocable undertakings to subscribe for our IPO Shares have been or will be obtained from such Bumiputera investors.

There is no over-allotment or 'greenshoe' option which will increase the number of our IPO Shares.

4.3.4 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:-

- (i) if our IPO Shares allocated to Bumiputera investors approved by the MITI are not fully taken up, the IPO Shares which are not taken up may be reallocated to other institutional and selected investors under the Institutional Offering;

4. DETAILS OF OUR IPO (cont'd)

- (ii) subject to sub-paragraph (i) above, if there is an under-application of the Institutional Offering and there is an over-application in the Retail Offering, the IPO Shares not taken up may be clawed back from the Institutional Offering and reallocated to the Retail Offering; and
- (iii) if there is an under-application of the Retail Offering and there is an over-application in the Institutional Offering, the IPO Shares not taken up may be clawed back from the Retail Offering and reallocated to the Institutional Offering.

The clawback and reallocation provisions will not apply in the event there is an over-application in both the Retail Offering and the Institutional Offering at the closing date of our IPO.

Any Issue Shares allocated to Eligible Persons but not taken up by them shall be made available to other Eligible Persons who have applied for excess Issue Shares (*if any*) in addition to their pre-determined allocation of Issue Shares ("**Excess Shares**"). Such Excess Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:-

- (i) firstly, allocation on a proportionate basis to Eligible Persons who have applied for Excess Shares based on the number of Excess Shares applied for; and
- (ii) secondly, to minimise odd lots.

Any allocated Issue Shares not fully taken up by Eligible Persons will be made available for application by the Malaysian Public under the Retail Offering. Any Issue Shares under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be taken up by our Sole Underwriter and/or its nominees in accordance with the terms and conditions of the Underwriting Agreement.

4.3.5 Share capital

	<u>No. of Shares</u>	<u>RM</u>
Issued share capital as at the LPD	192,593,796	48,148,449
New Shares to be issued pursuant to the Public Issue	48,000,000	17,280,000
Enlarged issued share capital upon Listing	<u>240,593,796</u>	<u>65,428,449</u>

4.3.6 Classes of shares and ranking

As at the date of this Prospectus and upon completion of our IPO, we have only one (1) class of shares, namely ordinary shares in our Company. Our IPO Shares, upon allotment and issuance, will rank *pari passu* in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared subsequent to the date of allotment of our IPO Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (*if any*), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with CA 2016 and our liabilities.

4. DETAILS OF OUR IPO (cont'd)

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. Each shareholder shall be entitled to appoint one (1) or more proxies to attend and vote at any general meeting of our Company. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

On a show of hands, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one (1) vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one (1) vote for each Share held.

4.3.7 Minimum subscription

There is no minimum subscription amount to be raised from our IPO. However, in order to comply with the public spread requirement of Bursa Securities, the minimum subscription level in terms of number of Shares will be the number of Shares required to be held by public shareholders in order to comply with the 25% public spread requirement under the Listing Requirements or as approved by Bursa Securities.

If the abovesaid public spread requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full (*without interest or any share of revenue or benefit arising therefrom*) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of subsection 243(2) of the CMSA shall apply accordingly.

4.4 Basis of arriving at the price of our IPO Shares

Our Directors and Promoters, together with Mercury Securities have determined and agreed on the IPO Price of RM0.36 per IPO Share after considering the following factors:-

- (i) our competitive advantages and key strengths (*see Section 7.3.2 of this Prospectus*);
- (ii) our future plans and strategies (*see Section 7.3.3 of this Prospectus*);
- (iii) our Group's financial performance and operating history as set out in Sections 12 and 13 of this Prospectus. Our EPS of 2.42 sen (*based on our audited combined PAT of RM5.83 million for FYE 2015*) and annualised EPS of 4.13 sen (*based on our audited combined PAT of RM7.45 million for FPE 2016*) represent implied PE Multiples of approximately 14.9 times and 8.7 times respectively;

Note:-

The EPS above is computed based on our enlarged total number of 240,593,796 Shares upon Listing.

- (iv) our pro forma NA per Share of RM0.28 after our IPO, computed based on the audited combined statement of financial position of our Group as at 30 September 2016 and our enlarged total number of 240,593,796 Shares upon Listing; and
- (v) the market performance of Bursa Securities and anticipated demand for our IPO Shares.

Based on the IPO Price, the total market capitalisation of our Company will be approximately RM86.61 million upon Listing.

4. DETAILS OF OUR IPO (cont'd)**4.5 Objectives of our IPO**

The objectives of our IPO are as follows:-

- (i) to provide us access to the equity capital market for cost effective fund raising for the purposes set out in Section 4.7 below and financial flexibility to pursue growth opportunities;
- (ii) to enhance our Group's profile;
- (iii) to obtain the listing and quotation of our entire enlarged issued share capital on the ACE Market of Bursa Securities to provide an opportunity for the investing community to participate in the future performance of our Company by way of equity participation; and
- (iv) to establish liquidity for our Shares.

4.6 Dilution

Dilution is the amount by which the IPO Price exceeds our pro forma NA per Share after our IPO. Our NA per Share immediately before adjusting for our IPO was RM0.29, based on our latest audited NA as at 30 September 2016 and the number of Shares outstanding immediately prior to our IPO of 192,593,796 Shares.

Upon issuance of the Issue Shares and after adjusting for effects of the utilisation of gross proceeds raised from our IPO, our pro forma NA per Share as at 30 September 2016 would be RM0.28 per Share based on our Company's enlarged total number of 240,593,796 Shares. This represents an immediate decrease in NA per Share of RM0.01 to our existing shareholders and an immediate dilution in NA per Share of RM0.08, representing a 22.2% dilution to our new investors.

The following table illustrates such dilution on a per Share basis:-

	<u>RM</u>
IPO Price	0.36
Audited NA per Share as at 30 September 2016, before adjusting for our IPO	0.29
Pro forma NA per Share as at 30 September 2016, after adjusting for our IPO	0.28
Decrease in NA per Share to existing shareholders	0.01
Dilution in NA per Share to new investors	0.08
Dilution in NA per Share to new investors as a percentage to the IPO Price	22.2%

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4. DETAILS OF OUR IPO (cont'd)

The following table summarises the acquisition of our Shares by our Promoters, Offerors, Directors, Key Management, Substantial Shareholders and persons connected with them from the date of our incorporation up to the LPD and the average cost per Share to them:-

Promoters, Offerors, Directors, Key Management, Substantial Shareholders and persons connected with them	No. of Shares before IPO⁽¹⁾⁽²⁾	Total consideration (RM)	Average cost per Share (RM)
Tai Hin	138,461,444	34,615,361	0.25
Dato' Seri Cheah	18,227,504 ⁽²⁾	4,556,876	0.25
Eu Ah Seng	19,790,005	4,947,501	0.25
Sang Ah Weng	8,859,031	2,214,758	0.25
Lee Chu Siong	883,482	220,871	0.25
Tan Huen Man	1,168,176	292,044	0.25
Chuah Meng Hing	1,901,025	475,256	0.25
Aishah Chuah binti Abdullah	768,100	192,025	0.25
Chuah Chin Liang	768,064	192,016	0.25
Chuah Hann Yan	1,766,965	441,741	0.25
Total	192,593,796	48,148,449	

Notes:-

(1) Issued pursuant to the Acquisition of Rubber Works.

(2) Including eight (8) Shares (subdivided from two (2) subscriber shares) transferred to Dato' Seri Cheah at a total consideration of RM2.

Since the date of our incorporation up to the LPD, our Promoters, Offerors, Directors, Key Management, Substantial Shareholders and persons connected with them have not entered into any transaction which grants them the right to acquire any of our Shares.

4.7 Utilisation of proceeds

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM'000	%
(i) New manufacturing lines and enhanced automation systems	Within 24 months	12,580	72.8
(ii) Establish IPR and overseas branding initiative	Within 36 months	1,500	8.7
(iii) Estimated listing expenses	Immediate	3,200	18.5
Total		17,280	100.0

As set out in Section 7.3.3 of this Prospectus, our future growth theme is two-pronged comprising:-

Grow overseas markets

- (a) establish footprint in new overseas markets
- (b) increase export sales to overseas markets
- (c) enhance manufacturing capabilities
- (d) widen range of products, particularly high value-added and premium products
- (e) branding initiative and establish IPR in new overseas markets

Enhance product quality

- (f) improve efficiency and reduce wastage
- (g) ensure consistent product quality

4. DETAILS OF OUR IPO (cont'd)

To support these strategies, the gross proceeds of RM17.28 million from our Public Issue are expected to be utilised for the following purposes:-

4.7.1 New manufacturing lines and enhancing automation systems

We expect that installing new lines and enhancing our manufacturing automation systems for our tyre retreading materials segment (*for both local and international markets*) would be able to support our strategies (c), (d), (f), and (g) outlined above (*see Section 7.3.3 of this Prospectus for further details*).

The new manufacturing lines and automation systems mainly comprise pressing machine, automated buffing and packing lines, loading and unloading systems, robotic hands as well as conveyor systems that will be incorporated into our manufacturing facilities in Malaysia. We have identified several manufacturing system providers in Taiwan, PRC, Brazil, Italy and Germany to supply us with the relevant technology. The estimated cost of these manufacturing systems is approximately RM14.0 million, which we intend to finance in the following manner:-

- (i) RM12.6 million from our listing proceeds; and
- (ii) the remaining balance of RM1.4 million from our internally generated funds and/or bank borrowings.

Since late-2016 (*up to the LPD*), we have incurred RM4.0 million for such new manufacturing lines and automation systems (*which was funded in equal proportion using our internally generated funds and bank borrowings, pending the receipt of our IPO proceeds*). We shall utilise the IPO proceeds raised and allocated for new manufacturing lines and automation systems of RM12.6 million as follows:-

- (i) RM10.0 million for the acquisition of the remaining items;
- (ii) RM2.0 million for the replenishment of our internally generated funds; and
- (iii) the balance of RM0.6 million for the partial repayment of our abovementioned borrowings (*in accordance with repayment schedule*). If the actual costs for the remaining items and/or the actual listing expenses are lower than estimated, such surplus will be utilised for the full repayment of our abovementioned borrowings (RM2.0 million) and interest charges (*in accordance with repayment schedule*), with any balance thereafter for our working capital purpose.

The supplier's quotations for the remaining items shall be finalised and the most suitable quote will be selected closer to the acquisition date. The details of our new manufacturing lines and automation systems are as follows:-

Manufacturing systems	Function	Estimated cost (RM'000)	Total sum incurred (RM'000)	Remaining sum (RM'000)
(1) Extruder	A large extruder with the capability to extrude larger width (<i>i.e. up to 800 mm</i>) orbitreads used in the manufacturing of OTR tyres.	900	850	50
(2) Pressing machine	To produce new patterns of pre-cured tread liners without having to waste time for product changeover.	2,525	1,500	1,025
(3) Mould	For the manufacturing of more patterned pre-cured tread liners.	800	50	750

4. DETAILS OF OUR IPO (cont'd)

Manufacturing systems	Function	Estimated cost (RM'000)	Total sum incurred (RM'000)	Remaining sum (RM'000)
(4)	Loading / Unloading system - Automated batch off line and conveyors	500	250	250
(5)	Auto loading and unloading system for pre-cured tread liners	6,750	-	6,750
(6)	Automated buffing and packing lines	1,400	1,350	50
(7)	Foundation and robotic hands	1,125	-	1,125
Total		14,000	4,000	10,000

Please refer to the manufacturing process flowchart in Section 7.4.1A "Development, manufacturing and distribution of tyre retreading materials" that illustrates the manufacturing process flow areas where these systems are utilised.

In order to ensure continued smooth running of our existing operations, we intend to carry out enhancement works in phases as follows:-

- (i) items (1) to (4) as well as item (6) above are expected to be fully commissioned by 2017; and
- (ii) items (5) and (7) are expected to be fully commissioned by 2019.

Prior to the manufacturing enhancement exercise above, we do not own such similar machines / systems. Following thereto, such machines / systems will facilitate the incorporation of new manufacturing lines and enhance automation technology in our production processes, of which the primary impact on our Group will be as follows:-

- (i) enable production of new products to complement our offerings to overseas markets, as our overseas customers demand for high value-added and premium products. For example, European customers may require specialised pre-cured tread liners for use in extreme winter conditions that demand softer compounds, finer tread patterns and various channels and grooves for better traction whilst South American customers may require more durable pre-cured tread liners and tougher sidewalls to absorb the impact of rocks and other heavy duty off-road conditions.
- (ii) ensure consistency in quality of products delivered to the satisfaction of our existing and/or prospective customers. High customer satisfaction will ultimately translate into recurring sales orders as well as business referrals, contributing to higher revenue;

4. DETAILS OF OUR IPO (cont'd)

- (iii) improve efficiency of our production processes and thereby, increase our manufacturing capacity / outputs to cope with the anticipated demand from overseas markets. In addition, these new automated machineries will have energy-saving features which over time will translate into cost saving for our Group;
- (iv) reduce reliance on manual labour and hence, minimising human errors. We are able to cut labour from the buffing lines when the automation technologies are implemented. These production processes can be operated automatically without human interference. As a result, we will not need to hire additional production workers to operate these machineries; and
- (v) minimise production wastage. Currently, our production wastage is at approximately 5% due to material loss, where losses will occur whenever processed rubber compounds undergo further production processes. With the implementation of automation technology in our production processes, we are targeting to reduce our production wastage by 10% to 20%. This may be achieved for example, when the automated loading and unloading systems are implemented, they are able to feed a more accurate amount of materials into the mould for the moulding process, hence allowing reduction in excess rubbers and debris.

We are confident that our manufacturing enhancement exercise will have a positive impact on our financial performance and manufacturing operations with the intention of improving production efficiency and reducing wastages.

4.7.2 Establish IPR and overseas branding initiative

We have already registered our trademarks in Malaysia and PRC. As a next step, we intend to trademark our brand in the following countries:-

- | | | |
|-----------------|------------------|----------------|
| (1) Bolivia | (2) Brazil | (3) Chile |
| (4) Colombia | (5) Ecuador | (6) Guyana |
| (7) Paraguay | (8) Peru | (9) Suriname |
| (10) Uruguay | (11) Venezuela | (12) Belize |
| (13) Costa Rica | (14) El Salvador | (15) Guatemala |
| (16) Honduras | (17) Nicaragua | (18) Panama |

We expect that establishing our IPR and undertaking overseas branding initiatives would support our strategies (a), (b) and (e) outlined above which are to grow our overseas markets (see Section 7.3.3 of this Prospectus for further details).

Through this branding strategy, we will be able to secure and protect our products' identity and integrity as well as our position in the new markets. Besides that, we penetrated into the European markets since 2011 and we foresee opportunity within these markets. Hence, we will also continue to build our share in the European markets through our proactive marketing strategy.

We will allocate RM1.5 million from our IPO proceeds for branding exercise comprising:-

- (i) RM1.0 million for the registration of our IPR i.e. to trademark our logos with the respective relevant foreign authorities; and
- (ii) RM0.5 million for our brand building exercise, whereby we will increase our promotional activities, marketing as well as presence at various international tyre and rubber industry trade fairs and/or exhibitions.

4. DETAILS OF OUR IPO (cont'd)

Following the use of the Public Issue proceeds for the purpose of protecting our Group's IPR and building our brand overseas, we expect the primary impact on our Group to be as follows:-

- (i) With a stronger sense of brand affiliation to the "Eversafe" name amongst our customers, which we have been building since the 1980s, we will be able to leverage on our brand name to further pursue our growth strategies. This is especially important to enter into new overseas markets. We believe that when new customers recognise our brand and existing customers remain loyal, these factors are expected to improve our financial performance in the coming years; and
- (ii) Upon the successful trademark of our logos, we believe this would mitigate any potential opportunity costs that may arise from trademark infringements and counterfeit products (see risk factors outlined in Section 5 of this Prospectus). Avoiding such opportunity costs would improve our financial performance as well as free up our management's time and efforts to further pursue our growth plans in the coming years.

4.7.3 Estimated listing expenses

Our listing expenses are estimated to be as follows:-

	<u>RM'000</u>
Professional fees	2,000
Fees to authorities	75
Estimated underwriting, placement and brokerage fees	563
Printing, advertisement and other incidental charges relating to our Listing	<u>562</u>
Total	<u>3,200</u>

We will bear all fees and expenses incidental to our Listing as indicated above, which includes professional fees, fees to authorities, underwriting and selling commission, placement and brokerage fees, printing, advertisement and other expenses.

If the actual listing expenses are higher than estimated, the shortfall will be funded out of our Group's internally generated funds. Conversely, if the actual listing expenses are lower than estimated, the surplus will be utilised for our new manufacturing lines and enhancing automation systems (as set out in Section 4.7.1 above).

The Offerors will bear all expenses relating to the Offer for Sale.

Pending the eventual utilisation of proceeds from the Public Issue for the abovementioned purposes, the funds will be placed in short-term deposits with licensed financial institutions or short-term money market instruments.

4.8 Brokerage, underwriting commission and placement fees

For the services of our Sole Underwriter and Sole Placement Agent in managing the distribution of the IPO Shares, we will pay a non-refundable management fee at the rate of 0.5% of the total value of all the IPO Shares under both Retail Offering and Institutional Offering. The management fee is subject to GST.

4. DETAILS OF OUR IPO (cont'd)

4.8.1 Brokerage fee

We will pay brokerage fee for the 12,500,000 Issue Shares under the Retail Offering (as set out in Section 4.3.1(a) above) at the rate of 1.0% of the IPO Price in respect of successful applications that bear the stamp of participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association in Malaysia and/or the Issuing House. The brokerage fee is subject to GST.

4.8.2 Underwriting commission

Our Sole Underwriter has agreed to underwrite all the 24,000,000 Issue Shares under the Retail Offering (as set out in Section 4.3.1(a) and (b) above). Notwithstanding that, the final number of Issue Shares to be taken up by our Sole Underwriter and/or its nominees shall be such remaining Issue Shares under the Retail Offering not applied for after being subject to clawback and reallocation provisions set out in Section 4.3.4 above. We are obliged to pay our Sole Underwriter an underwriting commission at the rate of 2.5% of the total value of the Issue Shares underwritten at the IPO Price. The underwriting commission is subject to GST.

4.8.3 Placement fee

Our Sole Placement Agent has agreed to place out 24,000,000 Issue Shares (as set out in Section 4.3.1(c) above) and up to 30,000,000 Offer Shares (as set out in Section 4.3.2 above), both under the Institutional Offering.

We are obliged to pay a placement fee at the rate of 2.5% of the total value of the IPO Shares successfully placed out to investors identified by our Sole Placement Agent at the IPO Price. The placement fee is subject to GST. The Offerors will bear the expenses incurred in relation to the Offer for Sale.

4.9 Underwriting Agreement

Pursuant to the Underwriting Agreement, our Sole Underwriter has agreed to underwrite all the 24,000,000 Issue Shares under the Retail Offering. Notwithstanding that, the final number of Issue Shares to be taken up by our Sole Underwriter and/or its nominees shall be such remaining Issue Shares under the Retail Offering not applied for after being subject to clawback and reallocation provisions set out in Section 4.3.4 above. Details of the underwriting commission are set out in Section 4.8.2 above.

The salient terms of the Underwriting Agreement are as follows:-

- (1) The obligations of the Sole Underwriter under the Underwriting Agreement shall be further conditional upon the fulfilment and/or satisfaction of the following ("**Conditions Precedent**"):-
 - (i) the approval of the Listing from Bursa Securities, the clearance and registration of registrable prospectus with the SC and the lodgement of registrable prospectus with the ROC respectively together with copies of all documents required under Section 155 of CA 2016 prior to the issuance of this Prospectus to the Public and shall remain in full force and effect up to the date of Listing;
 - (ii) the issuance of this Prospectus (including advertisement of this Prospectus and all other procedures, requirements, letters and documents) required under the CMSA, Prospectus Guidelines of the SC and Section 155 of CA 2016 to the Public within one (1) month from the date of the Underwriting Agreement or such extension as consented by the Sole Underwriter and shall remain in full force and effect up to the date of Listing and all conditions of the approval by Bursa Securities and the SC have been complied with;

4. DETAILS OF OUR IPO *(cont'd)*

- (iii) there having been, as at any time up to and including the date of the Listing, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of our Company and our subsidiaries or in the prospects, future financial condition or business or operations of our Group *(which in the reasonable opinion of the Sole Underwriter is or will be material in the context of the issue of the underwritten Shares and/or the IPO)* from that set forth in this Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations, warranties, covenants and/or undertakings, if they are repeated on and as of the date of Listing;
- (iv) the issue, offering and subscription of the underwritten Shares in accordance with the provisions in the Underwriting Agreement and this Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline *(whether or not having the force of law)* promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia *(including Bursa Securities and the SC)*;
- (v) all necessary approvals and consents required in relation to the IPO including but not limited to shareholders and governmental approvals having been obtained and are in full force and effect;
- (vi) the Sole Underwriter having been satisfied that arrangements have been made by our Company to ensure payment of the expenses;
- (vii) the delivery to the Sole Underwriter prior to the date of registration of this Prospectus of (i) a copy certified as a true copy by an authorised officer of our Company of all the resolutions of the Directors of our Company and the shareholders approving the Underwriting Agreement, this Prospectus, the IPO and authorising the execution of the Underwriting Agreement and the issuance of this Prospectus; and (ii) a certificate dated the date of this Prospectus signed by duly authorised officers of our Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as set out in (iii) above;
- (viii) the delivery to the Sole Underwriter on the IPO closing date and the date of Listing of such reports and confirmations from our Board as the Sole Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of our Group nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations, warranties, covenants and/or undertakings as though they have been given and/or made on such dates; and
- (ix) the Sole Underwriter being satisfied that our Company will, following completion of the IPO, be admitted to the Official List of Bursa Securities and our entire issued share capital will be listed and quoted on the ACE Market of Bursa Securities without undue delay.

4. DETAILS OF OUR IPO (cont'd)

- (2) In the event any of the Conditions Precedent are not satisfied within two (2) months from the date of the Underwriting Agreement or such extension as consented by the Sole Underwriter, the Sole Underwriter shall thereupon be entitled but not bound to terminate the Underwriting Agreement by notice given to our Company not later than three (3) Market Days after the IPO closing date and upon such termination, our Company and the Sole Underwriter shall be released and discharged from their obligations save for our Company's obligations (see *Section 4.9(4) below*) and none of the parties shall have a claim against the other save for antecedent breaches by our Company and claims arising therefrom. Each party shall in such event return any and all monies paid to the other under the Underwriting Agreement within 72 hours of the receipt of such notice (*except for monies paid by our Company for the payment of the expenses and our Company shall remain liable to pay the underwriting commission to the Sole Underwriter*). The Sole Underwriter reserves the right to waive or modify any of the Conditions Precedent and such waiver or modification shall not prejudice the Sole Underwriter's rights under the Underwriting Agreement.
- (3) The Sole Underwriter may by notice in writing to our Company given at any time on or before the allotment and issuance of the Issue Shares, terminate and cancel and withdraw its commitment to underwrite the 24,000,000 Issue Shares if:-
- (i) there is any breach by our Company of any of the representations, warranties, covenants or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach is given to our Company, or by the IPO closing date, whichever is earlier, or withholding of information of a material nature from the Sole Underwriter, which is required to be disclosed pursuant to the Underwriting Agreement which, in the reasonable opinion of the Sole Underwriter, would have or can reasonably be expected to have a Material Adverse Effect (*as defined at the end of this Section*);
 - (ii) there shall have occurred, happened or come into effect in the reasonable opinion of the Sole Underwriter any material change and/or any development which would have or can reasonably be expected to have a Material Adverse Effect;
 - (iii) there shall have occurred, happened or come into effect any of the following circumstances:-
 - (a) any material change, or any development involving a prospective change, in national or international monetary, financial and capital market, economic, legal, regulatory, industrial or political conditions (*including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas*), taxation rules, foreign exchange controls, currency exchange rates or the occurrence of any combination of the foregoing;
 - (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of our Company and/or the Sole Underwriter (*including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents*), which in the reasonable opinion of the Sole Underwriter, would have or can reasonably be expected to have a Material Adverse Effect;

4. DETAILS OF OUR IPO (cont'd)

- (c) the FTSE Bursa Malaysia Kuala Lumpur Composite Index (“**Index**”) is, at the close of normal trading on Bursa Securities, on any Market Day:-
- (aa) on or after the date of the Underwriting Agreement; and
- (bb) prior to the allotment of our Issue Shares,
- lower than 90% of the level of the Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) Market Days or the occurrence of any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event;
- (d) the suspension of trading of all securities on Bursa Securities, establishment of minimum prices and/or any other material form of general restriction or moratorium in trading of securities or securities settlement / clearing or any moratorium on banking activities or foreign exchange being imposed for at least three (3) consecutive Market Days in or affecting Malaysia; or
- (e) in the event of national, regional or international disorder, outbreak of war or the declaration of a state of national emergency, epidemics, insurrection, armed conflict or calamity / crisis in Malaysia or elsewhere;
- (iv) there is failure on the part of our Company to perform any of our obligations contained in the Underwriting Agreement;
- (v) any matter which arose immediately before the date of this Prospectus would have constituted a material and adverse omission in the context of our IPO;
- (vi) any event, act or omission which gives or is likely to give rise to any liability which will have a Material Adverse Effect on our Company pursuant to the indemnities contained under the Underwriting Agreement;
- (vii) the Listing does not take place by 30 April 2017 or such later date as the Sole Underwriter at its sole and absolute discretion, may agree in writing or approval of Bursa Securities for the Listing and/or the IPO is withdrawn or is subject to conditions which are not acceptable to the Sole Underwriter;
- (viii) the issuance by Bursa Securities, the SC, the ROC or any other regulatory or governmental body in Malaysia, of any stop order or ruling (*or revocation of any ruling previously made*), the effect of which is to prevent the issue and the listing and quotation of the entire issued share capital of the Company on the ACE Market of Bursa Securities and/or the revocation / non-renewal of any license or permit necessary to conduct the business and operations of the Group prior to the date of Listing;
- (ix) the non-registration of the Prospectus with the SC and/or non-lodgement of the Prospectus with the ROC (*whether or not due to revocation, suspension, withdrawal or lapse of the approvals from Bursa Securities and/or the SC*), the non-fulfilment of conditions imposed to the satisfaction of Bursa Securities, the SC and/or other relevant authorities or the registration and/or lodgement of any amendment, supplement or replacement to the Prospectus with the SC and/or the ROC without the prior written approval of the Sole Underwriter; or

4. DETAILS OF OUR IPO (cont'd)

- (x) there is any formal investigation, proceeding or inquiry by or before any court or governmental or regulatory authority against the Company and/or its subsidiaries, major shareholders, directors and key management which had been disclosed to the Public, announced or otherwise appear in the media, for which the Company has not been able to provide an explanation to the satisfaction of the Sole Underwriter.
- (4) Upon such notice(s) being given, the Sole Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, except that our Company shall remain liable in respect of our obligations and liabilities for the payment of the underwriting commission, costs and expenses already incurred prior to or in connection with such termination, for the payment of any taxes, duties or levies or such outstanding fees, and for any antecedent breach, and our undertaking to indemnify the Sole Underwriter.

For the purpose of this Section, a "**Material Adverse Effect**" means in the reasonable opinion of the Sole Underwriter, a material adverse effect or change or any development involving a prospective material adverse effect or change (*whether or not arising in the ordinary course of business*) on:-

- (i) the condition (*financial or otherwise*), results of operations, prospects, earnings, business, management, undertakings, properties or assets of our Group;
- (ii) the ability of our Company to perform in any respect its obligations under or with respect to, or consummate the transactions contemplated by this Prospectus and/or under the Underwriting Agreement;
- (iii) the success of the IPO and/or the distribution of the Issue Shares or dealings of the Shares in the secondary market after the date of Listing; or
- (iv) the ability of our Group to conduct our business.

4.10 Trading and settlement in secondary market

Pursuant to subsection 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Security. Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (*which is operated by Bursa Depository*). This will be effected in accordance with the provisions of SICDA and the Rules of Bursa Depository. Accordingly, our Company will not deliver share certificates to the subscribers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain the Shares in CDS Accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

4. DETAILS OF OUR IPO (cont'd)

All Shares held in CDS Accounts shall not be withdrawn from the CDS except in the following instances:-

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of non-equity securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List of Bursa Securities;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading for shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot market. Settlement and payment of trades done on a "ready" basis on Bursa Securities generally takes place on the third (3rd) Market Day following the transaction date.

It is expected that our Shares will not commence trading on Bursa Securities until about ten (10) Market Days after the close of our IPO. Holders of our Shares will not be able to sell or otherwise deal in our Shares *(except by way of book-entry transfers to other CDS Accounts in circumstances which do not involve a change in beneficial ownership)* prior to the commencement of trading on Bursa Securities.

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5. RISK FACTORS

IN EVALUATING AN INVESTMENT IN OUR IPO SHARES, YOU SHOULD CAREFULLY CONSIDER ALL INFORMATION CONTAINED IN THIS PROSPECTUS INCLUDING BUT NOT LIMITED TO THE FOLLOWING INVESTMENT CONSIDERATIONS AND RISKS.

5.1 Risks affecting our business and operations

5.1.1 We rely on our major suppliers

We are dependent on the continuous and stable supply of raw materials from our suppliers. See Section 7.11.2 of this Prospectus for the list of our major suppliers for the past three (3) financial years and FPE 2016. We source raw materials (*except for natural rubber*) from various suppliers. We source our natural rubber only from Lee Rubber, which has been providing us a consistent supply of quality natural rubber according to our specifications and on terms satisfactory to us (*see mitigating factor in Section 5.2.1 below*).

Any disruption of supplies will have an adverse impact on our ability to deliver products to customers in a timely manner. We may incur additional costs, time and resources to seek for alternative supply sources on terms that may or may not be commercially satisfactory to us. This may affect our revenue, profit margins and price competitiveness.

To mitigate such risk, we maintain a good business relationship with our suppliers. Our major suppliers have been supplying raw materials to us between eight (8) and 26 years. With such established business relationships, we have not encountered any major problems in sourcing raw materials as at the LPD.

In addition, we constantly monitor our inventory level to ensure that there are sufficient raw materials to pre-empt any unforeseen disruptions in supply. Moreover, most of our raw materials can be obtained from other suppliers. Hence, we do not foresee any problems in sourcing raw materials for our requirements. Nevertheless, there is still a risk that relationships with our major suppliers may be impacted in the future due to unforeseen circumstances or events beyond our control which in turn may affect our business.

5.1.2 We rely on our Directors and Key Management for our business

Our continued success, future business growth and expansion depend on the contributions of our Executive Directors and other key management personnel (*see Sections 9.1.2, 9.2.2 and 9.3.2 of this Prospectus for their profiles*). Our Executive Directors play a crucial role in our daily operations as well as charting, formulating and implementing strategies to drive the future growth of our Group. As such, taking into consideration their rapport with our customers and suppliers as well as their expertise and experience in rubber compounding, the loss of any of our Executive Directors and other key management personnel may be disruptive to our current operations and future growth of our business as this may affect our ability to compete with our competitors and ultimately, the business and financial performance of our Group may be adversely affected.

Therefore, our ability to retain and attract competent and skilled personnel is crucial for our continued success, future business growth and expansion. To retain and attract competent and skilled personnel, we have in place incentive schemes, on-the-job training programmes and career advancement opportunities for our employees. We also have in place a management succession plan (*see Section 9.8.2 of this Prospectus for further details*), with Cheah Siang Tee (*son of our founder, Dato' Seri Cheah*) and Eu Hong Lim (*son of our co-founder, Eu Ah Seng*) as part of our Key Management.

5. RISK FACTORS *(cont'd)*

5.1.3 We rely on foreign workers in our manufacturing operations

The nature of the rubber compounding and tyre retreading industries is such that they are highly dependent on foreign labour. The tyre retreading industry is comparatively more labour-intensive than the rubber compounding industry. More skilled labour is needed to manufacture retreaded tyres while the rubber compounding industry can be more easily automated.

In tyre retreading, the retreading technician must first place the used tyre casing (*which has passed the initial inspection process*) in a buffing machine to remove old worn tread and sidewall rubber on the tyre casing; followed by further visual inspection and manual removal of materials. Next, the technician must inspect the tyre casing for any damages / holes. Lastly, the technician applies gum solutions onto the tyre casing for adhesion and fills the holes in the tyre casing with rubber compounds.

Once the tyre is repaired, the buffed tyre casing is ready for retreading. In the case of cold cure tyre retreading, the technician finally places the tyre on a machine which will apply a new tread onto the tyre casing while in the case of hot cure tyre retreading, it requires more skilful technicians and more sophisticated equipment such as a range of moulds capable of withstanding high temperatures. Throughout both retreading processes, much manual intervention is required. Any shortage of labour or increase in labour costs will adversely affect our ability to meet manufacturing schedules and our profitability.

As at the LPD, we have a workforce of over 250 employees, of which 49% are foreign workers employed for our manufacturing lines in Malaysia (*excluding workers from PRC who run our operations in PRC*). Our foreign workers are production workers from Nepal and Myanmar.

We rely on our production workers and a prolonged shortage of labour resources will have a negative bearing on our business and growth prospects. In addition, cost of labour may increase in the future and we may not be able to offset such increases in labour cost against corresponding increases in the prices of our products and services. As a result, our business and financial performance may be adversely affected.

In addition, any unfavourable changes in foreign labour policies by our government or the relevant foreign governments from which we source our foreign workers may adversely affect our Group's operations, especially if it relates to the supply of such labour in Malaysia, or the minimum wage of these workers. The previous upward revision of minimum wages in Malaysia in July 2013 did not materially affect our financial performance as our foreign labour cost increased by only approximately 2% against overall staff cost for FYE 2013. Further to that, the upward revision of minimum wages in Malaysia in July 2016 also did not materially affect our financial performance as our foreign labour costs increased by less than 1.0% against overall staff cost for FPE 2016 in view that we have generally been paying our foreign labour close to the minimum wage level prior to the revision.

In order to gradually reduce dependency on foreign labour as we expand our operations, we are enhancing our manufacturing automation systems in certain processes such as buffing lines (*see Section 4.7.1 of this Prospectus on utilisation of proceeds*).

Nonetheless, any material loss of production workers or our inability to recruit new ones as our business grows may have a material and adverse impact on our business operations and/or our growth prospects.

5. RISK FACTORS *(cont'd)*

5.1.4 We may face manufacturing and/or operational disruptions

Our revenue is dependent on our manufacturing processes running smoothly and efficiently. Our daily operations are susceptible to risks beyond our control such as outbreak of fire and floods, explosion, energy crisis, sabotage, civil commotion and other calamity which may cause significant downtime, losses and/or damage to our products, production facilities, warehouse and office, thus disrupting and affecting our business operations.

Recognising the above, we have in place several backup contingencies as follows:-

- (i) Our factories are located in Tasek Industrial Estate, Ipoh, whereby our production facilities at Lot 93 are located across the road from those at Lot 82 and Lot 90. Hence, should there be any emergencies such as fire breakout, we can still run on 24-hour shifts plus weekends to ensure undisrupted supply to our customers;
- (ii) The electricity supplies for our premises at Lot 93 and Lot 94 are sourced from different substations, hence limiting the risk of any concurrent interruptions. Furthermore, we have invested in high-tension power supply system for our factory at Lot 90 where we have our own in-house substation; and
- (iii) In the event of machinery breakdowns, we have in storage back-up machineries / components for most of our manufacturing lines to temporarily sustain and keep our manufacturing lines running whilst we resolve the breakdowns.

Nonetheless, any major manufacturing or operational disruptions will have an adverse impact on the business, operations and financial performance of our Group. As at the LPD, we have not experienced such major manufacturing and/or operational disruptions in the past that may materially affect our business or financial performance.

5.1.5 Revocation of manufacturing licenses, business licenses and permits

We have obtained manufacturing licenses for our manufacturing activities from the MITI and rubber licenses from the Malaysian Rubber Board. We have also obtained other approvals, major licenses and permits from various governmental authorities for our business (*see Section 7.12 of this Prospectus*). These approvals, licenses and permits are subject to compliance with relevant conditions, laws and regulations under which they were issued and in the event we are deemed to be in non-compliance with such conditions, laws or regulations, our licenses may be revoked. Revocation of our licenses and permits will have a material adverse effect on our ability to continue our operations and thus affect our financial performance. In mitigation, our key management keeps a close tab on our compliance status and also works closely with the relevant authorities such that any queries or issues raised will be promptly addressed and resolved. As at the LPD, we have not experienced any non-compliance issues for these manufacturing, business licenses and permits that may materially affect our business or financial performance.

5.1.6 Protection of Eversafe Rubber and Olympic trademarks

We are to an extent dependent on the protection of our proprietary trademarks as set out in Section 7.13 of this Prospectus. We have registered our trademarks in Malaysia and PRC in order to protect our IPR. We also intend to utilise a portion of the IPO proceeds to register our IPR in a number of countries (*see Section 4.7.2 of this Prospectus*).

5. RISK FACTORS (cont'd)

Existing laws relating to the protection of IPR only afford limited protection. Our IPR may suffer against unauthorised use or exploitation and any such event may deteriorate the market recognition of our brands and trademarks or may have a negative impact on our brand image. Nevertheless, as at the LPD, we have not experienced such events that may materially affect our business or financial performance. In addition, in order to mitigate such risk, we are attentive of new products and service providers in the industry and will not hesitate to take legal actions should we encounter any such unauthorised use or exploitation of our IPR.

5.1.7 Our future plans and growth strategies may not achieve our objectives

As part of our expansion efforts, we plan to increase our export sales and our geographical footprint primarily outside the ASEAN region. Although we exported to at least 23 countries around the world for FYE 2015 and FPE 2016, we are constantly expanding our reach to new markets. We are optimistic of the potential of the South American market for our tyre retreading materials and our tyre retreading business. As set out in Section 7.3.3 of this Prospectus, we have identified a customer in South America (*a trader of tyre retreading materials*) to be our business partner for the South American market, where collaboration shall be in two (2) areas. Firstly, we have entered into a distribution agreement in September 2016 appointing our business partner to be the distributor of our tyre retreading materials for the South American market. Secondly, we are finalising details of a JV arrangement with our business partner to establish a tyre retreading plant in South America. With our tyre retreading experience and knowledge garnered over the past half a century, we believe we are able to create synergies with our business partner to produce quality tyre retreading products and services for the South American markets, while the other entities of our Group will have the opportunity to supply the tyre retreading materials required and penetrate further into the South American market. See Section 7.3.3 of this Prospectus for further details of our future plans and strategies.

We recognise that our expansion plans involve a number of risks, including but not limited to capital expenditure incurred to enhance our manufacturing capabilities and to build new facilities, working capital tied up in inventories, increased marketing and promotional expenses as well as other working capital requirements.

While we believe that we have sufficient resources at our disposal to execute our business expansion plans after the IPO, there is a risk of unforeseen circumstances that may disrupt the execution of those plans. We may be unable to successfully identify, negotiate and/or finance such expansion plans and joint ventures on terms that are satisfactory to us, or to successfully reap the benefits as per the objectives of such new ventures. These factors may lead to a material adverse effect on our financial performance and financial position.

5.1.8 We are subject to risk of inadequate insurance coverage

We have purchased insurance policies to insure ourselves against, amongst others, risks of fire, goods in transit and product liability. We believe our current insurance coverage is adequate for our business and level of operations. Nonetheless, we are still exposed to the risk that the insurance coverage would be inadequate to cover the losses, damages or liabilities, which we may incur in the course of our business operations. To the extent such risks are uninsured, not covered under our insurance policies, or where the insurance protection is not sufficient to cover such risks, we may have to bear such losses, damages or liabilities and consequently our business and financial condition may suffer a material adverse impact.

5. RISK FACTORS *(cont'd)*

5.1.9 We are subject to risks of public liability claims and other disputes

We may be subject to customer claims in the case of alleged substandard or defective products. Any negative publicity arising from customer claims or negative media reports that we may be directly or indirectly associated with may affect our brand equity, reputation and subsequently our sales.

We are also susceptible to the risk of public liability claims arising from accidents and/or injuries sustained by our customers / end consumers from using Olympic's retreaded tyres.

Litigation or dispute resolution processes arising from these claims may be costly and time consuming. Moreover, the outcome of such proceedings may be unfavourable to us, resulting in material adverse impact to our financial performance.

As a mitigating factor, our products have been in compliance with the requirements and standards relevant to our industry. For our tyre retreading materials, we have obtained MS certification by SIRIM QAS and we only supply raw materials in accordance with the MS requirements. For our retreaded tyres, they are MS 224:2005 certified and safe for use in commercial vehicles in Malaysia. We also received the ISO 9001:2015 from BM TRADA Certification Ltd, United Kingdom in recognition of our QMS for the provision of retreaded tyres.

In addition, our retreaded tyre manufacturing lines and processes are under the surveillance and audit purview of SIRIM and product testing by the Malaysian Rubber Board. As for roadworthy retreaded tyres, the Road Transport Department Malaysia is the enforcement unit and regular inspections are carried out to ensure that only retreaded tyres with MS 224:2005 certification are allowed to be used on the road.

As at the LPD, we have not experienced any material disputes or negative publicity that may materially affect our business or financial performance.

5.1.10 Environmental concerns

Inappropriate disposal of tyres can affect the environment and human health. Tyres are not biodegradable. Used tyres represent waste that takes up much physical space and is difficult to compact, collect and eliminate. The curved shape of tyres, together with their impermeability, allows rainwater to collect and creates an ideal habitat for rodents and mosquitoes, particularly in the tropical and subtropical regions. Prone to heat retention, tyres in stockpiles can also ignite, creating fires that are difficult to extinguish and can burn for months, generating unhealthy smoke and toxic oils.

Retreaded tyres provide an environmentally friendlier alternative as they assist to reduce the amount of tyre wastes, when the former is recycled. They also help to save non-renewable natural resources in an energy scarce world, as they require significantly less crude oil as compared to the manufacturing of new tyres, hence reducing overall energy and greenhouse emissions.

In most rubber compounding activities, the primary environmental concerns are fugitive emissions, solid wastes, waste water and hazardous wastes. The rubber compounding area, where chemicals are weighed and put into containers prior to mixing, can be a source of fugitive emissions, and possibly spills and leaks. Waste water from cooling, heating and cleaning operations is an environmental concern in many facilities. To address the issue of possible leaks, our chemical weighing systems are placed in enclosed areas where any fugitive emissions and possible spills are minimised. To address the waste water issue, our production facilities have implemented water reuse and recycling programs.

5. RISK FACTORS *(cont'd)*

Waste rubber from rubber compounding and tyre retreading activities can be classified into three (3) categories as follows:-

- uncured rubber waste;
- cured rubber waste; and
- off-specification products.

Uncured rubber waste can be recycled in the factory. Meanwhile, cured rubber waste can either be recycled in-house or sold to other companies that use it to make products such as mud flaps and playground mats. Lastly, off-specification products can be sold to other companies that make products from shredded or scrap rubber or they can be disposed of.

Our manufacturing facilities are subject to regular inspections by the Department of Environment and as such, we are constantly monitoring our manufacturing facilities to ensure compliance with environmental legislations. We have also implemented an environmental management system for the provision of retreaded tyres, and obtained the ISO 14001:2015 from BM TRADA Certification Ltd, United Kingdom in 2016.

As at the LPD, we are not subject to any penalty or administrative order in relation to compliance with environmental requirements from any government or regulatory authority, which may materially affect our Group's operations and utilisation of our assets.

Nevertheless, we are subject to the risk of any unintended mishaps in processes or any changes made to the environmental legislations in the future that may materially affect our operations.

5.2 Risks affecting the industry in which we operate

5.2.1 We are subject to the volatility in prices of raw materials

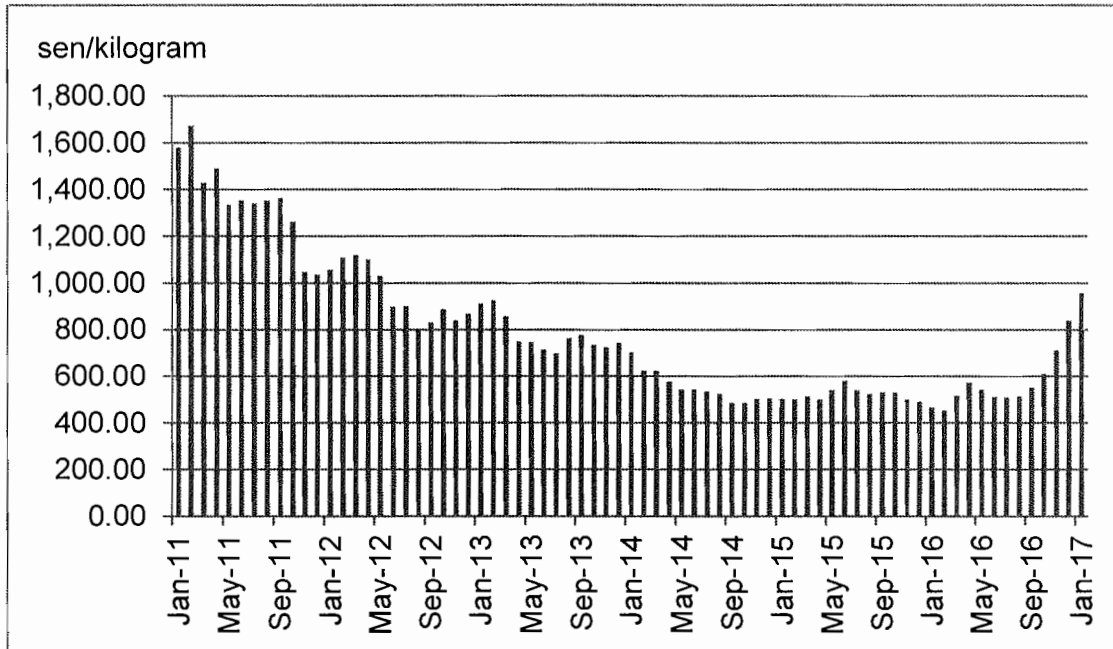
The two (2) main raw materials we use in the manufacturing of our tyre retreading materials are natural rubber and synthetic rubber. The purchases of natural rubber and synthetic rubber collectively accounted for approximately 51% of our total purchases for FYE 2015 and 50% of our total purchases for FPE 2016. The prices of these main raw materials are subject to fluctuations due to supply and demand conditions in the global commodity market. Any material increase in the prices of these raw materials may have an adverse impact on our financial performance and financial condition.

The price of the natural rubber we procure is subject to fluctuations in the market price of SMR 20 grade natural rubber. The market prices of SMR 20 have experienced material volatility in the market between January 2011 and January 2017, decreasing by 39.4% between these two (2) periods.

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5. RISK FACTORS (cont'd)

Monthly prices for SMR 20 grade natural rubber from January 2011 to January 2017



(Source: Malaysian Rubber Board)

We currently source our natural rubber from an approved supplier, namely Lee Rubber, a subsidiary and trading arm of the Lee Rubber Group in Malaysia. The Lee Rubber Group is one of the oldest natural rubber suppliers in the region. We have been dealing with Lee Rubber for 26 years. The consistency in their supply of quality natural rubber according to our specifications and on terms satisfactory to us are the main reasons we procure our natural rubber from Lee Rubber.

Although we currently procure our natural rubber from a single supplier, natural rubber is a commodity and can be easily sourced from many other suppliers in the country. Hence, we do not foresee any procurement difficulties or shortage of supply of natural rubber from suppliers in the market.

Synthetic rubber is a derivative of petrochemicals. Hence, the price of synthetic rubber is subject to the volatility of petroleum prices. The suppliers of synthetic rubber quote prices to customers, usually on quarterly basis, which in turn, is dependent on market conditions. The prices of synthetic rubber are subject to negotiations between the suppliers and purchasers. Therefore, unlike natural rubber prices, we are not subjected to daily fluctuations in synthetic rubber prices.

Generally, we are able to pass on the price volatility in raw material costs to our customers, due to our constant price monitoring and management of our raw material purchases. To mitigate the fluctuations in raw material pricing, we also work closely with our customers in planning their respective production forecasts to map out our production schedules so that we may determine a more accurate supply forecast and plan our purchases accordingly.

Nevertheless, a prolonged material increase in the prices of raw materials will ultimately affect our business and the industries as a whole.

5. RISK FACTORS (cont'd)**5.2.2 Fluctuation in foreign exchange rates**

In the past three (3) FYEs 2013, 2014 and 2015, our export sales to overseas markets have increased from 40% to 55%, resulting in 36%, 44% and 46% of our total revenue being denominated in foreign currencies for the respective years. Moving forward, we expect these figures to further increase, in line with our growth plans into overseas markets. For FPE 2016, our export sales contributed 57% to our total revenue, with 47% of our total revenue being denominated in foreign currencies.

Our Group's export revenue is mainly transacted in USD and JPY while other foreign currencies include AUD, EUR, HKD, RMB and SGD. In addition, the import of our raw materials is mainly denominated in USD. As such, we are exposed to foreign currency exchange gains or losses arising from timing differences between our billings, actual receipt of payments and conversion / translation into RM.

Bank Negara Malaysia has recently announced a new policy which is effective from 5 December 2016 which requires a resident exporter to convert 75% of its export proceeds into RM while the balance 25% is allowed to be retained in foreign currencies. However, Bank Negara Malaysia has subsequently issued further guidance that exporters may request to simultaneously reconvert the 75% of its export proceeds into foreign currency at the same rate up to the value of six (6)-month import and foreign currency loan obligations.

Hence, our Group will still be able to utilise the foreign currencies kept in our onshore foreign currency bank accounts as a natural hedge to better manage fluctuations and volatility of the foreign currency exchange rates as well as for our foreign purchases (see Section 12.3(v) of this Prospectus for the breakdown of foreign-denominated sales and purchases by currency).

While we are not at the moment materially affected, any new development in this policy may, depending on the exchange rate fluctuations and spreads, have an adverse impact on our financial performance if we are required to bear the additional expenses for double conversion from USD to RM and then back to USD for payments to our suppliers.

For information purposes, the foreign exchange gain / (loss) of our Group for the period under review are as follows:-

		Audited			
		FYE 2013	FYE 2014	FYE 2015	FPE 2016
		RM'000	RM'000	RM'000	RM'000
Gain / (Loss) on foreign exchange					
-	Realised	(322)	(655)	554	(148)
-	Unrealised	871	524	1,188	2,609

The foreign exchange gain / (loss) above arises from trade transactions in our ordinary course of business.

5.2.3 Lack of long-term contracts with our customers

The nature of the rubber compounding industry is such that customers do not enter into long-term contracts with suppliers. In line with the normal industry practice, our sales are generated via purchase orders (*ranging from monthly purchases up to orders made for one (1) year's supply*) as our customers try to match their needs for tyre retreading materials to their own internal requirements / sales orders, ensuring efficiency in their inventory management. As such, the absence of long-term contracts is an inherent risk in our industry.

5. RISK FACTORS *(cont'd)*

We are not overly dependent on any single customer. None of our customers contributed to more than 10% of our total revenue for the past three (3) FYEs 2013, 2014 and 2015 while for FPE 2016, there is only one (1) customer which contributed to more than 10% of our total revenue (*approximately 17%*). Our top ten (10) major customers collectively contributed approximately between 33% to 39% of our revenue for FYEs 2013, 2014 and 2015 and 47.5% of our total revenue for FPE 2016.

Our Group seeks to mitigate this risk by establishing good business relationship with our customers. Over the years, despite the absence of long-term contracts with our customers, our Group has an established and proven track record in consistently providing quality products and services, which has earned the confidence and recognition of our local and overseas customers. This is evident as we have managed to retain most of our major customers, whereby half of our top ten (10) customers for FPE 2016 have been in business with us for an average of more than 25 years (*collectively, they contributed 18.0% of our total revenue for the said period*).

Furthermore, this risk is mitigated as one of our competitive advantages and key strengths is our diverse and international customer base (*see Section 7.3.2 of this Prospectus*). Nevertheless, the absence of long-term contracts in our industry practice may have an adverse effect on the financial and operational conditions and the overall profitability of our Group in the long-term should there be any prolonged disruptions in customer orders.

5.2.4 Our tyre retreading materials may be subject to unauthorised use for spurious tyres

There is a possibility that our tyre retreading materials may be purchased by third parties and unscrupulously used to produce counterfeit new tyres.

However, there are high entry barriers in the manufacturing of new tyres, as it is a very capital-intensive business and requires a high degree of technical know-how as well as the establishment of large-scale plants in order to achieve economies of scale. Significant investments have to be made in research and development as well as marketing and distribution in order to be competitive in the market. In addition, due to the competitive nature of the automotive industry, purchasers of new tyres practise a stringent vendor selection process, appointing only reputable component suppliers (*including tyre manufacturers*). The automotive companies undertake periodic audits of their component suppliers in the supply chain, in order to ensure that their brand equity is not affected by counterfeit products.

In addition, retail consumers nowadays are also more brand conscious, preferring to select reputable tyre brands as opposed to unknown tyre brands. Tyre manufacturers will also not hesitate to take legal actions against spurious manufacturers, failure of which will risk losing their credibility due to counterfeit, inferior tyres.

In the case of retreaded tyres, it would be difficult for traders to purchase retreaded tyres and then sell them to retail consumers as new tyres. This is because tyre retreaders have to comply with their respective countries' regulations and standards. In Malaysia, the standard for retreaded tyres is MS 224:2005 where all retreaded tyres have to be embossed with, amongst others, the tyre retreader's name and/or trademark, and week and year of the manufacture of retreaded tyres (*see Sections 6 and 9 of the IMR Report set out in Section 8 of this Prospectus for further details on the various regulations and standards governing the industries in which we operate*).

In the US, it is the Department of Transportation code with an "R" that indicates that a tyre is a retreaded one; and in Japan, both new and retreaded tyres have to comply with the standards set by Tyre Standards Committee (*which comprises representatives from the government, tyre manufacturers and automotive manufacturers*).

5. RISK FACTORS *(cont'd)*

Nonetheless, we are subject to risks that our tyre retreading materials may be used to make spurious products, particularly in countries with weak regulatory and enforcement conditions. However, as at the LPD, we are not aware of any instances of such incidents happening arising from utilisation of our products.

5.2.5 We face competition from existing and new market entrants locally and overseas

As set out in Section 16 of the IMR Report (*set out in Section 8 of this Prospectus*), there are a number of other industry players comparable to our Group which are active in the rubber compounding and tyre retreading industries. In Malaysia, we command a market share of about 22% for tyre retreading materials in 2015 and a 4% market share for tyre retreading operations in the same year. We believe that with our focus and growth strategies, we can maintain our market share.

However, despite our efforts, we will still face challenges for market share from both existing competitors and potentially new market entrants in local and international markets. Despite the relatively high barriers to entry such as the possession of a solid knowledge of rubber compounding formulations, the ability to provide superior and differentiated products and the ability to achieve a fast turnaround time, local or international competitors may still enter or increase their presence in our industries.

For example, in the Malaysian market (*which contributed 45% and 43% of our total revenue for FYE 2015 and FPE 2016 respectively*), our local sales volume for tyre retreading materials has been decreasing at a CAGR of -9.0% from FYE 2013 to FYE 2015. This negative CAGR is due to, amongst others, pricing competition amongst industry players in the Malaysian market. For example, against a backdrop of falling rubber prices by 15.3% in 2013 and 20.7% in 2014, we had correspondingly reduced our Malaysian average selling prices per tonne for our tyre retreading materials by 10.0% and 8.1% for FYE 2014 and FYE 2015 respectively. However, we believe that our competitors had reduced their prices to a greater extent, resulting in our products to be more expensive, leading to the decline in our local sales volume. We believe this also caused our local sales volume for tyre retreading materials to decline further by 10.5% for FPE 2016 although we had reduced our Malaysian average selling prices per tonne for our tyre retreading materials by 1.3%, relative to FPE 2015. Nevertheless, we believe this negative trend will improve upon the recovery of rubber prices (*which increased slightly by 3.0% for FPE 2016*) as the selling prices of our products correspondingly become more competitive as our competitors raise their selling prices to a greater extent as compared to us. With our pricing approach, our customers will experience less fluctuation in their purchase prices and at the same time, receive a consistent supply of retreading products of their specifications.

Nevertheless, for our overseas markets (*which contributed 55% and 57% of our total revenue for FYE 2015 and FPE 2016 respectively*), our export sales volume for tyre retreading materials has been increasing at a higher CAGR of 10.2% over the said three (3) financial years. This positive CAGR is mainly attributable to growing sales from existing overseas countries in which we serve (*FYE 2014: 98% and FYE 2015 95%*) as well as new countries we have penetrated. Our export sales volume for tyre retreading materials increased further by 3.2% for FPE 2016, as compared to FPE 2015. This is in line with our future plans and growth strategies to build our overseas markets (*see Section 7.3.3 of this Prospectus*).

Nevertheless, to mitigate competition risks, we have taken pro-active measures including continuous review of our development and market strategies in response to market demand. We are also building on our competitive advantages and key strengths (*see Section 7.3.2 of this Prospectus*). However, we are still exposed to the risk that we may be unable to compete effectively against our existing or future competitors and arising therefrom, our business, financial performance and financial condition may be adversely affected.

5. RISK FACTORS *(cont'd)*

5.2.6 Our performance is dependent on the general state of the Malaysia's economy

As our principal place of operations and manufacturing facilities are based in Malaysia, and a large part of our revenue is generated from our Malaysian customers, our financial performance is dependent on the general state of the Malaysia's economy, including the level of commercial and industrial activities, population growth, disposable income of consumers and inflation. A growing economy spurs consumption growth and higher disposable income for consumers. This creates demand for tyre retreading products and services among fleet companies.

Any decline in the economic conditions in Malaysia may cause a reduction in consumption and demand for tyres, which could have a negative impact on the overall financial performance of industry players. Nevertheless, we believe that demand for our products is less sensitive to adverse changes in economic conditions as retreaded tyres are an economical alternative to new tyres, and are easily accessible to fleet companies at affordable price points.

Nonetheless, any severe or prolonged decline in the economy may materially and adversely affect our sales, financial performance and financial condition.

5.2.7 We are subject to political, economic and social developments in Malaysia

Our business, prospects, financial performance and financial condition may be affected by political, economic and social developments that are beyond our control in Malaysia. Such developments include, but are not limited to terrorism, riots, nationalisation, expropriation, changes in interest rates, economic recession, fiscal and monetary policies of the Government such as foreign exchange control regulations, inflation, deflation, methods of taxation and tax policy (*including customs, excise, duties and tariffs*), unemployment trends, deterioration of international bilateral relationships and other matters that influence consumer confidence and spending.

Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia such as minimum wage increases and/or restrictions on bringing in foreign workers may materially and adversely affect our business, financial performance, financial conditions and prospects.

5.3 Risks affecting our Shares

5.3.1 Delay or failure of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:-

- (i) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to be discharged of its obligations thereunder;
- (ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of our Shares for which Listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing; or
- (iii) the revocation of approvals from the relevant authorities prior to our Listing and/or admission to the Official List for whatever reason.

5. RISK FACTORS *(cont'd)*

If any of the above events occurs, investors will not receive any of our IPO Shares and we will return in full *(without interest or any share of revenue or benefit arising therefrom)* all monies paid in respect of any application for our IPO Shares in compliance with subsection 243(2) of the CMSA. However, if our IPO Shares have already been issued and allotted to investors, we can only repay the monies paid in respect of our IPO Shares by a cancellation of our IPO Shares pursuant to a capital reduction exercise in accordance with Section 116 or 117 of CA 2016. Such a capital reduction exercise, will require us to, amongst others, (i) obtain a special resolution from our shareholders and (ii) obtain confirmation by the High Court of Malaya in accordance with Section 116 of CA 2016 or provide a solvency statement in accordance with Section 117 of CA 2016. Therefore, there is a risk of whether our IPO Shares can be cancelled or that such monies paid in respect of our IPO Shares can be recovered within a short period of time or at all.

5.3.2 No prior market for our Shares and it is uncertain whether a sustainable market will ever develop

Prior to our IPO, there has been no public market for our Shares. Hence, there is a risk that upon Listing, an active market for our Shares may not develop, or if developed, whether such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares. The IPO Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our Share price to fluctuate which may adversely affect the market price of our Shares.

Therefore, there is a risk of whether the IPO Price will correspond to the price at which our Shares will trade on the ACE Market of Bursa Securities upon our Listing and whether the market price of our Shares will not decline below the IPO Price.

5.3.3 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

Our Promoters will collectively hold a controlling interest in our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of directors, the timing and payment of dividends as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. Therefore, there is a risk of whether the interests of our Promoters will be aligned with those of our other shareholders.

5.3.4 Payment of dividends

Our Company *(being an investment holding company)* derives income mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends is largely dependent on the performance and funding requirements of our subsidiaries.

In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but are not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, capital expenditure plans, loan covenants and compliance with regulatory requirements. Whilst we endeavour to make dividend payments, there is a risk of us not being able to pay any dividends in the future as a result of the factors stated above. See Section 12.12 of this Prospectus for further information on our dividend policy.

5. RISK FACTORS *(cont'd)*

5.3.5 Share price volatility and volume of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about ten (10) Market Days after the close of our IPO before the commencement of trading of our Shares on Bursa Securities. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

- (i) material variations in our financial performance and operations;
- (ii) success or failure of our management team in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (v) additions or departures of our key management personnel;
- (vi) fluctuations in stock market prices and volumes; or
- (vii) involvement in litigation.

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6. INFORMATION ON OUR GROUP

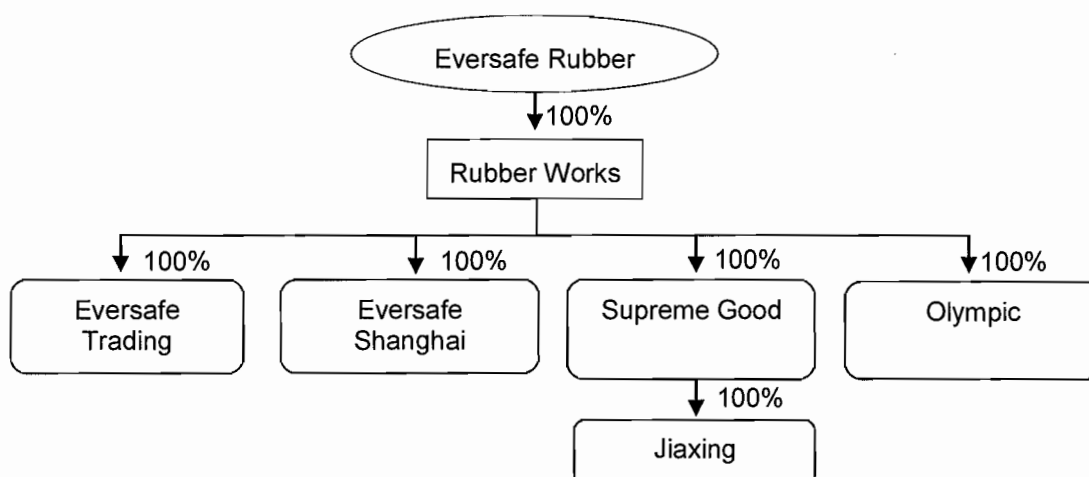
6.1 Our Company

Our Company was incorporated in Malaysia under CA 1965 as a private limited company on 5 March 2015 under the name of Eversafe Rubber Sdn Bhd. On 24 June 2016, our Company was converted into a public limited company and assumed our present name of Eversafe Rubber Berhad.

Our principal activity is investment holding, while our Group is principally involved in the development, manufacturing and distribution of tyre retreading materials and tyre retreading operations.

6.2 Our Group

The structure of our Group is as follows:-



Our Group was formed on 28 May 2016 when our Company acquired the entire issued share capital of Rubber Works, which holds all our business operations. Rubber Works was acquired from the vendors (names as set out in the schedule in Section 4.6 of this Prospectus) for a total consideration of RM48,148,447 (based on the pro forma net assets as at 31 December 2015 after adjusting for the Completed Transactions) which was satisfied in full by the allotment and issuance of 192,593,788 new Shares at an issue price of RM0.25 per Share.

Following the completion of the Acquisition of Rubber Works, each subsidiary above becomes a 100% (direct or indirect) subsidiary of Eversafe Rubber.

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6. INFORMATION ON OUR GROUP (cont'd)**6.3 Share capital****6.3.1 Issued share capital**

Our issued share capital as at the date of this Prospectus is RM48,148,449 comprising 192,593,796 Shares.

6.3.2 Details of the issuance and allotment of our Shares

Changes to our issued share capital since the date of our incorporation up to the date of this Prospectus are as follows:-

<u>Date of allotment / subdivision</u>	<u>No. of ordinary shares allotted</u>	<u>Then par value (RM)</u>	<u>Consideration</u>	<u>Cumulative no. of ordinary shares allotted</u>	<u>Cumulative issued share capital (RM)</u>
05.03.2015	2	1.00	Cash (subscriber shares)	2	2.00
28.05.2016	8	0.25	Subdivision of shares	8	2.00
28.05.2016	192,593,788	0.25	Pursuant to the Acquisition of Rubber Works	192,593,796	48,148,449

There were no outstanding warrants, options, convertible securities or uncalled capital in respect of the Shares in our Company as at the date of this Prospectus. In addition, there was no discount, special term or instalment payment term in respect of the payment of the consideration for the allotment of the Shares in our Company above. As at the LPD, Eversafe Rubber is not involved in any bankruptcy, receivership or similar proceedings.

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6. INFORMATION ON OUR GROUP (cont'd)**6.4 Details of our subsidiaries**

The details of our subsidiaries as at the LPD are as follows:-

Name (Registration no.)	Date and country of incorporation / establishment	Issued share capital / Registered and contributed capital	Our Company's effective equity interest (%)	Principal activities
<u>Direct wholly-owned subsidiary of Eversafe Rubber</u>				
Rubber Works (60543-X)	21.07.1980 Malaysia	RM10,899,696	100	Development, manufacturing and distribution of tyre retreading materials
<u>Wholly-owned subsidiaries of Rubber Works</u>				
Eversafe Trading (28945-P)	30.08.1976 Malaysia	RM200,000	100	Trading of other rubber-based products, equipment and related accessories
Eversafe Shanghai (91310115717858151Q)	02.09.2005 PRC	USD150,000	100	Import, export and distribution of rubber-based products and related equipment
Olympic (15519-T)	22.08.1973 Malaysia	RM250,002	100	Tyre retreading operations
Supreme Good (1074003)	14.09.2006 Hong Kong	HKD2,425,000	100	Investment holding
<u>Wholly-owned subsidiary of Supreme Good</u>				
Jiaxing (91330400661714879N)	24.05.2007 PRC	USD270,000	100	Manufacturing of rubber-based products

(i) Rubber Works**(a) History and business**

Rubber Works was incorporated in Malaysia under CA 1965 as a private limited company on 21 July 1980 under its present name. Rubber Works commenced business on the same date.

Rubber Works is principally involved in the development, manufacturing and distribution of tyre retreading materials.

(b) Share capital

The issued share capital of Rubber Works is RM10,899,696 comprising 10,899,696 ordinary shares.

6. INFORMATION ON OUR GROUP (cont'd)

Changes to issued share capital of Rubber Works for the past three (3) years up to the date of this Prospectus are as follows:-

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Then par value (RM)</u>	<u>Consideration</u>	<u>Cumulative no. of ordinary shares allotted</u>	<u>Cumulative issued share capital (RM)</u>
-	-	1.00	Balance b/d	9,843,750	9,843,750
03.05.2016	1,055,946	1.00	Pursuant to the acquisition of the entire equity interest in Olympic from Tai Hin	10,899,696	10,899,696

(c) Shareholder

Rubber Works is our wholly-owned subsidiary following the completion of the Acquisition of Rubber Works.

(d) Subsidiary and associate

Save for its subsidiaries (*i.e. Eversafe Trading, Eversafe Shanghai, Supreme Good, Jiaxing and Olympic*), Rubber Works does not have any other subsidiary or associate.

(ii) Eversafe Trading

(a) History and business

Eversafe Trading was incorporated in Malaysia under CA 1965 as a private limited company on 30 August 1976 under the name of Cheun Seng Foundry Sdn Bhd. On 25 June 1986, it assumed its present name. Eversafe Trading commenced business in September 1986.

Eversafe Trading is principally involved in the trading of other rubber-based products, equipment and related accessories.

(b) Share capital

The issued share capital of Eversafe Trading is RM200,000 comprising 200,000 ordinary shares.

There have been no changes in the issued share capital of Eversafe Trading for the past three (3) years up to the date of this Prospectus.

(c) Shareholder

Eversafe Trading is a wholly-owned subsidiary of Rubber Works.

(d) Subsidiary and associate

Eversafe Trading does not have any subsidiary or associate.

6. INFORMATION ON OUR GROUP (cont'd)

(iii) Eversafe Shanghai

(a) History and business

Eversafe Shanghai was established in PRC under PRC Law of Wholly Foreign-Owned Enterprises as a wholly foreign-owned enterprise on 2 September 2005 under the name of 爱维安贸易（上海）有限公司 (Shanghai Aiweian Trading Co., Ltd.) and commenced business on the same date.

Eversafe Shanghai is principally involved in the import, export and distribution of rubber-based products and related equipment.

(b) Capital

The registered and contributed capital of Eversafe Shanghai is USD150,000.

There have been no changes in the registered and contributed capital of Eversafe Shanghai for the past three (3) years up to the date of this Prospectus.

(c) Shareholder

Eversafe Shanghai is a wholly-owned subsidiary of Rubber Works.

(d) Subsidiary and associate

Eversafe Shanghai does not have any subsidiary or associate.

(iv) Olympic

(a) History and business

Olympic was incorporated in Malaysia under CA 1965 as a private limited company on 22 August 1973 under the name of Syarikat Tai Hin Penchelop Tayar Sdn Bhd and commenced business on the same date. On 23 July 1977, it assumed its present name.

Olympic is principally involved in tyre retreading operations.

(b) Share capital

The issued share capital of Olympic is RM250,002 comprising 250,002 ordinary shares.

There have been no changes in the issued share capital of Olympic for the past three (3) years up to the date of this Prospectus.

(c) Shareholder

Olympic is a wholly-owned subsidiary of Rubber Works.

(d) Subsidiary and associate

Olympic does not have any other subsidiary or associate.

6. INFORMATION ON OUR GROUP (cont'd)

(v) Supreme Good

(a) History and business

Supreme Good was incorporated in Hong Kong under the Hong Kong Companies Ordinance (Chapter 32) as a private limited company on 14 September 2006 under the name of 德超国际有限公司 (Supreme Good International Limited). Supreme Good is an investment holding company.

(b) Share capital

The authorised share capital of Supreme Good is HKD2,500,000, of which HKD2,425,000 are issued and fully paid-up.

There have been no changes in the issued and paid-up share capital of Supreme Good for the past three (3) years up to the date of this Prospectus.

(c) Shareholder

Supreme Good is a wholly-owned subsidiary of Rubber Works.

(d) Subsidiary and associate

Save for its subsidiary (*i.e.* *Jiaxing*), Supreme Good does not have any other subsidiary or associate.

(vi) Jiaxing

(a) History and business

Jiaxing was established in PRC under PRC Law of Wholly Foreign-Owned Enterprises as a wholly foreign-owned enterprise on 24 May 2007 under the name of 嘉兴永安橡胶有限公司 (Jiaxing YongAn Rubber Co Ltd). Jiaxing commenced business on the same date.

Jiaxing is principally involved in the manufacturing of rubber-based products.

(b) Capital

The registered and contributed capital of Jiaxing is USD270,000.

There have been no changes in the registered and contributed capital of Jiaxing for the past three (3) years up to the date of this Prospectus.

(c) Shareholder

Jiaxing is a wholly-owned subsidiary of Supreme Good.

(d) Subsidiary and associate

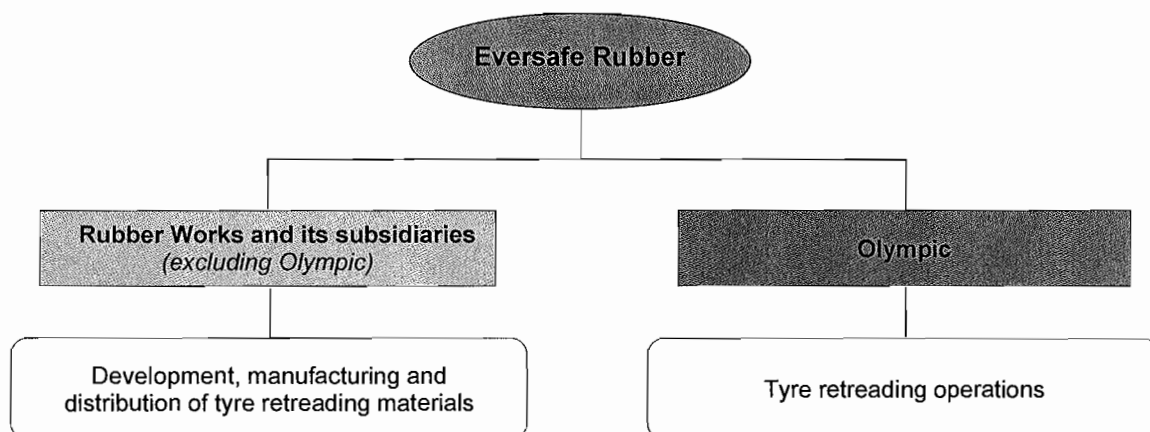
Jiaxing does not have any subsidiary or associate.

There were no outstanding warrants, options, convertible securities or uncalled capital in respect of the shares in our subsidiaries as at the date of this Prospectus. In addition, there was no discount, special term or instalment payment term in respect of the payment of the consideration for the allotment of the ordinary shares in our subsidiaries above. As at the LPD, our subsidiaries are not involved in any bankruptcy, receivership or similar proceedings.

7. BUSINESS OVERVIEW

7.1 History and background

Our Group's business activities are segmented into two (2) main categories as follows:-



Tyre retreading operations

Our history began in the late 1960s with the business of tyre retreading, when Dato' Seri Cheah's family foresaw that the demand for commercial vehicles would significantly increase in Malaysia, which in turn, was expected to cause a healthy demand for retreaded tyres. In anticipation of this, Dato' Seri Cheah's family ventured into the tyre retreading business on a small-scale basis in their workshop at Jalan Raja Uda, Penang. In 1973, with the tyre retreading business growing, Syarikat Tai Hin Penchelop Tayar Sdn Bhd was incorporated to take over the tyre retreading business from Chop Tai Hin (*sole proprietorship*) and we began operations in a rented factory located at Mak Mandin Industrial Estate, Butterworth in 1974. Our pioneer customers included Malaysian Smelting Corporation Berhad, Malaysian Sugar Manufacturing Co Ltd., Malayawata Steel Bhd and public bus companies in the state of Penang.

In 1977, Syarikat Tai Hin Penchelop Tayar Sdn Bhd changed its name to Olympic.

In 1986, Olympic adopted a new retreading technique (*i.e. the cold cure tyre retreading*) where the tread liners were pre-vulcanised with tyre patterns before being bonded to the surface of the buffed tyre casings. Progressively, as the cold cure tyre retreading became more technologically advanced and commercially accepted, and in most cases preferred by our customers, we began implementing this process on a larger scale. For FYE 2015 and FPE 2016, approximately 73% and 76% of our retreaded tyres respectively were produced using the cold cure tyre retreading method.

As we place strong emphasis on our ability to consistently provide quality products and services, we have established stringent QMS in our operations and obtained the ISO 9002 certification from SIRIM QAS in 1991.

We have since progressively expanded our tyre retreading facility with the implementation of new and advanced machinery and equipment, including the commissioning of the German-made shearography tyre scanning and testing system and overhead monorail system. Through these investments and expansions, we now have a manufacturing capacity of approximately 89,100 retreaded tyres annually.

7. BUSINESS OVERVIEW *(cont'd)*

Development, manufacturing and distribution of tyre retreading materials

In 1980, Dato' Seri Cheah and Eu Ah Seng incorporated Rubber Works to begin the development, manufacturing and distribution of tyre retreading materials in a factory situated at Lot 93, Tasek Industrial Estate, Ipoh. During that period, Malaysia's economy was experiencing rapid growth, leading to an increase in the usage of commercial vehicles in the country. The commercial vehicles used by fleet operators wear out tyres fast due to heavy and regular usage. As tyres represent a major expense item, many fleet operators opt for retreaded tyres in place of new tyres in order to minimise costs. Therefore, the incorporation of Rubber Works was timely to capitalise on the growing demand for tyre retreading materials in tandem with the growth of retreaded tyres in the market since the late 1970s.

Dato' Seri Cheah gained his experience and knowledge back in the 1960s when he was involved in the tyre retailing and tyre retreading industries. Further details on our founders are set out in Section 9.1.2 of this Prospectus.

During the early days since the incorporation of Rubber Works in 1980, our founders undertook product development activities for developing our own tyre retreading materials. Since then, our product development team has grown (*see Section 7.7.2 for further details*). With our expertise and experience, we successfully formulated many quality rubber compounds used in the development of tyre retreading materials for our customers.

In 1986, we achieved a new milestone when we began to expand our market presence overseas, starting with the export of camelbacks to Hong Kong and Singapore.

In the mid 1990s, there was a growing demand for pre-cured tread liners in the market. To capitalise on this, Rubber Works ventured into the manufacturing of pre-cured tyre retreading materials and today, we have the capability of producing a diverse range of tread patterns to cater to our customers' requirements. Our product development team is continuously engaged in the development of new tyre retreading materials, tread patterns as well as usability and durability of our tyre retreading materials.

With increased demand for our products, we expanded our manufacturing facilities and warehousing space to Lot 82, Tasek Industrial Estate, Ipoh in 1995 and subsequently moved our administrative office and warehouse for non-rubber raw materials to Lot 94, Tasek Industrial Estate, Ipoh in 2000 to meet our requirements for more machinery space.

Since 2004, through our active participation in international trade fairs and exhibitions and other promotional / marketing activities, we have been able to grow our export sales (*for both pre-cured and hot-cured products*) significantly with exports to at least 23 countries, contributing approximately 55% and 57% of our total revenue for FYE 2015 and FPE 2016 respectively.

In 2005, we incorporated Eversafe Shanghai in PRC as a trading company for the import, export and distribution of rubber-based products and related equipment. This strategic move was undertaken in anticipation of future demand for tyre retreading materials to be on the rise in PRC and through Eversafe Shanghai, we established our presence in PRC.

In 2006, with our Group's expanding business presence in PRC, we acquired Supreme Good (*a dormant company*) in Hong Kong as an investment holding company with the intention of establishing a manufacturing arm in PRC. In 2007, we incorporated Jiaxing to manufacture rubber-based products in PRC. Since then, the manufacturing and distribution of certain tyre retreading materials to PRC market has been carried out by Jiaxing and Eversafe Shanghai respectively.

7. BUSINESS OVERVIEW *(cont'd)*

In 2010, we undertook a major rebuilding and upgrading of our first (1st) factory at Lot 93, Tasek Industrial Estate, Ipoh in which we commenced business since 1980, with major renovations and setting-up of new mixing lines.

In 2012, Rubber Works further expanded its manufacturing and warehousing capacity by setting-up a third (3rd) facility at Lot 90, Tasek Industrial Estate, Ipoh. The renovation and construction of the factory began in 2013 and was completed in 2014. The manufacturing of tyre retreading materials commenced in the new factory in 2015.

In the same year, we also recognised the opportunity to enter the South American region, particularly Brazil being the largest economy in South America as its government is promoting the development of tyre retreading industry as well as highway construction for the next few years. We formulated strategies to penetrate this market and began to venture into South America. We took a proactive marketing strategy and in the same year managed to secure over RM1.3 million worth of sales orders from the Brazilian market. We are optimistic about the demand for our products and services in South America and intend to expand into other countries in South America.

In late-2016, we have entered into a distribution agreement appointing a customer in South America (*a trader of tyre retreading materials*) to be the distributor to promote and market our tyre retreading materials for the South American market.

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7. BUSINESS OVERVIEW *(cont'd)*

7.2 Key achievements and milestones

Year	Key achievements and milestones
1967	<ul style="list-style-type: none"> We commenced our venture into the tyre retreading business.
1974	<ul style="list-style-type: none"> Expanded our tyre retreading operations to a rented factory in Mak Mandin Industrial Estate, Butterworth with a land area of 48,000 sq. ft.
1980	<ul style="list-style-type: none"> Rubber Works was incorporated to begin the development, manufacturing and distribution of tyre retreading materials in a factory situated at Lot 93, Tasek Industrial Estate, Ipoh. Our main products were masterbatch, camelbacks, and sidewall veneers.
1986	<ul style="list-style-type: none"> Eversafe Trading (<i>incorporated in 1976 as a dormant company</i>) began trading of camelbacks for Rubber Works. We commenced our international business with exports to Hong Kong and Singapore. Olympic implemented the cold cure tyre retreading in its tyre retreading operations.
1994	<ul style="list-style-type: none"> Expanded our product range and began manufacturing pre-cured tread liners. Since then, we have developed and commercialised over 70 tread patterns for our customers.
1995	<ul style="list-style-type: none"> Expanded our manufacturing operations and warehousing space to second (2nd) factory at Lot 82, Tasek Industrial Estate, Ipoh.
2000	<ul style="list-style-type: none"> Expanded to Lot 94, Tasek Industrial Estate, Ipoh.
2005	<ul style="list-style-type: none"> We established a business presence in PRC via the incorporation of Eversafe Shanghai to commence the import, export and distribution of rubber-based products and related equipment in the country. Rubber Works began expansion of its manufacturing capacity progressively by investing and commissioning new machinery and equipment as well as replacing older machines. Olympic began progressive expansion on its manufacturing facility by installing new and advanced machinery and equipment to increase manufacturing capacity and replacement of old machines.
2006	<ul style="list-style-type: none"> We acquired Supreme Good in Hong Kong as an investment holding company with the intention to establish a manufacturing arm in PRC.
2007	<ul style="list-style-type: none"> Jiaxing was incorporated to manufacture rubber-based products in PRC. Olympic implemented an overhead monorail system, which is used to transport the tyres from one process to another on the production floor.
2008	<ul style="list-style-type: none"> Olympic commissioned a German-made shearography tyre scanning and testing system.
2010	<ul style="list-style-type: none"> Rebuilt and upgraded factory at Lot 93, Tasek Industrial Estate, Ipoh to expand our mixing capacity.
2013	<ul style="list-style-type: none"> We began renovation and construction of a third (3rd) factory at Lot 90, Tasek Industrial Estate, Ipoh.
2015	<ul style="list-style-type: none"> The third (3rd) factory at Lot 90, Tasek Industrial Estate, Ipoh commenced operations. We expanded our overseas market by venturing into South America, particularly Brazil for the distribution of our tyre retreading materials.
2016	<ul style="list-style-type: none"> We appointed a customer in South America to be the distributor to promote and market our tyre retreading materials for the South American market.

7. BUSINESS OVERVIEW (cont'd)

7.3 Our business

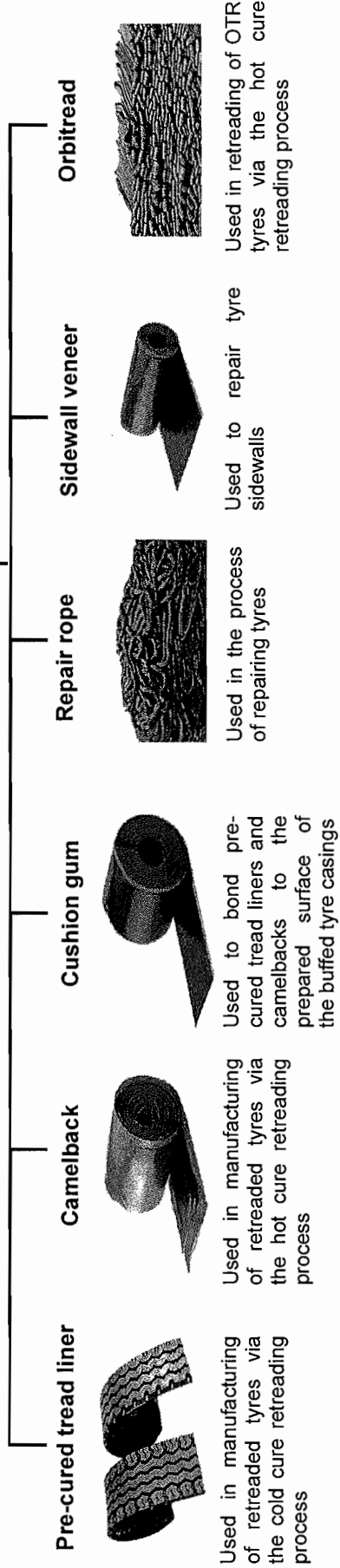
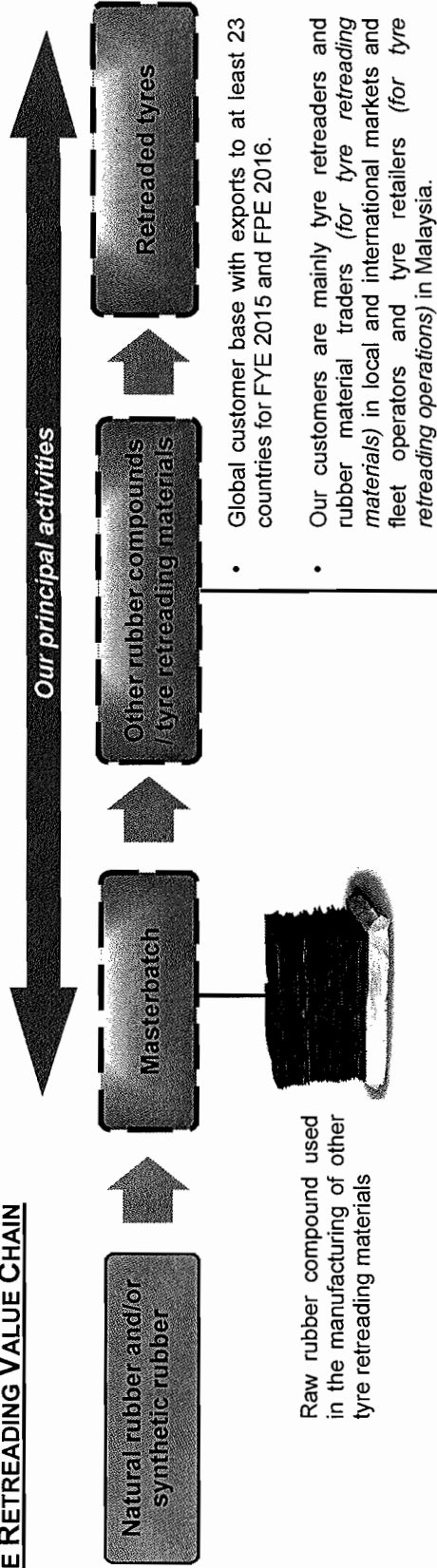
7.3.1 Principal business activities, products and services

We are principally involved in:-

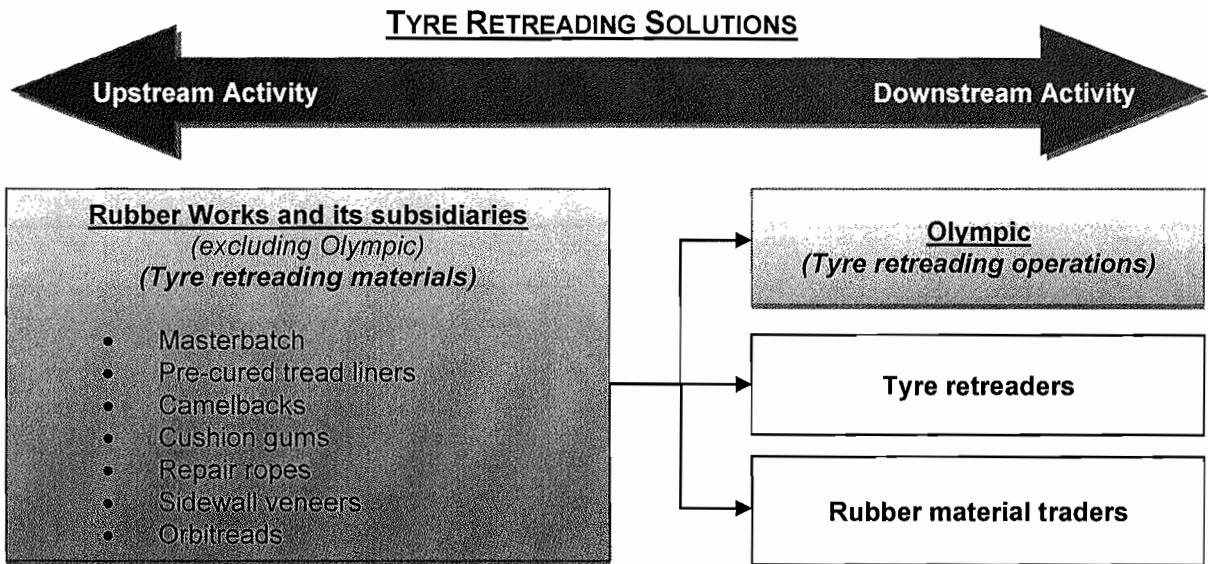
- (i) the development, manufacturing and distribution of tyre retreading materials; and
- (ii) tyre retreading operations.

Below is a summary diagram of our business activities across the tyre retreading value chain, of which our products include masterbatch, other tyre retreading materials and retreaded tyres as described below:-

TYRE RETREADING VALUE CHAIN



7. BUSINESS OVERVIEW (cont'd)



Our wholly-owned subsidiary, Olympic is involved in tyre retreading operations, where our products and services are mainly provided to fleet operators and tyre retailers in Malaysia. The retreaded tyres distributed by Olympic are marketed under our own brand "OLP".

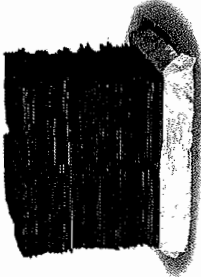
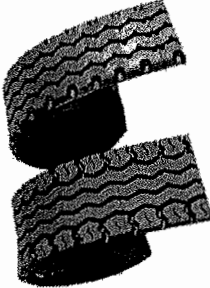
Rubber Works and its subsidiaries (excluding Olympic) are involved in the development, manufacturing and distribution of tyre retreading materials, where our customers consist of mainly tyre retreaders and rubber material traders in local and international markets.

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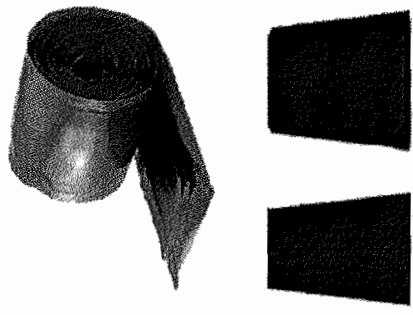
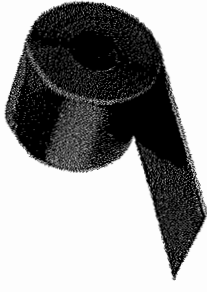

7. BUSINESS OVERVIEW (cont'd)

Development, manufacturing and distribution of tyre retreading materials

The development, manufacturing and distribution of tyre retreading materials are carried out by Rubber Works and its subsidiaries (excluding *Olympic*). Our tyre retreading materials are rubber compounds used in tyre retreading applications. We develop and formulate our rubber compounds in-house, using a combination of raw materials blended to achieve qualities that are appropriate to the performance requirements of each type of tyres. Our tyre retreading materials are as follows:-

Principal products	Product images	Product description and usage
Masterbatch		<p>Masterbatch is an essential raw material which is compounded with chemicals, such as sulphur, accelerators and/or other additives, to form the desired rubber compounds which are used in the manufacturing of our other tyre retreading materials listed below:-</p> <ul style="list-style-type: none"> ▪ pre-cured tread liners; ▪ camelbacks; ▪ cushion gums; ▪ repair ropes; ▪ sidewall veneers; and ▪ orbitreads.
Pre-cured tread liners		<p>Our masterbatch is formulated and compounded in-house through a mixture of natural rubber and/or synthetic rubber, rubber processing oils, carbon black, chemicals and/or additives.</p> <p>Pre-cured tread liners are pre-vulcanised rubber strips moulded with patterns and profiles. The pre-cured tread liners are used in cold cure tyre retreading.</p> <p>Our pre-cured tread liners come in a variety of dimensions, sizes, weights and patterns. We have the capability to manufacture a diverse range of pre-cured tread liners to meet our customers' requirement. We are constantly expanding our range of pre-cured tread liners, in line with the increasing demand and requirements from our customers.</p> <p>As at the LPD, we produce and distribute over 70 patterns of pre-cured tread liners to our customers locally and internationally.</p>

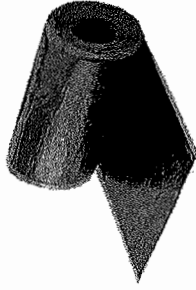
7. BUSINESS OVERVIEW (cont'd)

Principal products	Product images	Product description and usage
Camelbacks		<p>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.</p>
Cushion gums		<p>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.</p>
Repair ropes		<p>Repair ropes are rubber compounds extruded in a rope form. Repair ropes are used in the process of repairing tyres.</p>

7. BUSINESS OVERVIEW (cont'd)

Principal products	Product images	Product description and usage
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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.

Orbitreads



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

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7. BUSINESS OVERVIEW *(cont'd)*

The main ingredients used in the manufacturing of our tyre retreading materials are rubber and fillers. The fillers we use to produce masterbatch are carbon black and various chemicals. Masterbatch will then be amalgamated with relevant chemicals to achieve different objectives (see Section 7.4.1A below for details on the manufacturing processes for our tyre retreading materials). These objectives can be, but are not limited to:-

- Optimising tyre performance in harsh conditions;
- Maximising tyre traction in both wet and dry road conditions; and/or
- Achieving lower rolling resistance.

These objectives are dependent on the intended use of the tyres. To achieve these objectives, the appropriate type of masterbatch is selected, along with the type and amount of filler in the compounding process. Depending on the differing performance requirements, other ingredients such as additives and accelerators are added to aid the compounding process.

Our tyre retreading materials are produced according to customers' specifications. For example, if the tyres are used by a heavy load vehicle on rough roads, we can customise the rubber compounds and tread patterns, as well as thicker sidewall veneers to accommodate the weight and reduce the wear and tear, while at the same time maintaining a good level of comfort to the driver.

At present, we manufacture our tyre retreading materials in two (2) locations (*Malaysia and PRC*) with an estimated capacity to manufacture 81,878 MT of tyre retreading materials annually (see Section 7.4.2 below for details). 94% of our manufacturing capacity is based in Malaysia and our primary customers for this business segment are mainly tyre retreaders and rubber material traders in local and international markets. For FYE 2015 and FPE 2016, our export sales contributed 55% and 57% of our Group's total revenue respectively, with exports to at least 23 countries globally.

Tyre retreading operations

Our tyre retreading operations are carried out by Olympic. 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. The retreaded tyres are brought back into the same service conditions without sacrificing tyre road performance. This process may be repeated as long as the casings' integrity is intact.

The main reasons why retreaded tyres are popular amongst our customers, especially fleet operators, are as follows:-

▪ **Value for money**

Retreaded tyres are cheaper than new tyres. For fleet operators with hundreds of vehicles, cost savings on purchasing new tyres can be substantial in the long run.

▪ **Safe to use**

Retreaded tyres are manufactured and tested with the same stringent standards as new tyres. Our retreaded tyres are MS 224:2005 certified and hence, safe for use in commercial vehicles in Malaysia.

7. BUSINESS OVERVIEW *(cont'd)*

- **Durable**

The average operating lifespan of our retreaded tyres is between three (3) months and a year, depending on the usage of the commercial vehicles. They can last as long as new tyres, and sometimes even longer due to our variety of tread patterns which cater to a diverse range of driving and road conditions.

- **Product flexibility**

Our retreaded tyres and tyre retreading materials are produced according to customers' specifications. For example, if the tyres are used by a heavy load vehicle on rough roads, we can customise the rubber compounds and tread patterns, as well as thicker sidewall veneers to accommodate the weight and reduce the wear and tear, while at the same time maintaining a good level of comfort to the driver.

Our tyre retreading business contributed approximately 12%, 11% and 11% to our Group's total revenue for FYEs 2013, 2014 and 2015 respectively as well as 10% for FPE 2016. We ventured into the tyre retreading business in 1967 and have garnered approximately half a century of experience in the tyre retreading industry. Our tyre retreading activity is currently carried out at our tyre retreading facility situated in Mak Mandin Industrial Estate, Butterworth with a land area of 48,000 sq. f.t and an estimated maximum manufacturing capacity of 89,100 units of retreaded tyres per annum.

As our tyre retreading facility is based in Penang, our customers are primarily concentrated in the northern region of Peninsular Malaysia comprising mainly tyre retailers and fleet operators (*i.e. transportation and logistics companies*). We market our retreaded tyres under our own brand "OLP", and our retreaded tyres are mainly used by commercial vehicles such as buses and small to large transportation trucks.

We utilise both the cold cure and hot cure retreading processes in the manufacturing of our retreaded tyres. Cold cure tyre retreading is the most commonly used method today as it allows more flexibility in manufacturing retreaded tyres of different sizes and/or with different tread patterns as well as exerts less stress on a tyre casing (*in view of lower pressure and temperature used during the curing process as compared to hot cure tyre retreading*) allowing the tyre to be retreaded for more times.

In cold cure tyre retreading, a pre-cured tread liner is applied with a layer of cushion gum on a buffed tyre casing. On the other hand, hot cure tyre retreading involves applying a camelback to a buffed tyre casing, which is then placed into a hot mould to form the tread pattern. A dedicated mould is required for each tyre size and each tread pattern. See Section 7.4.1B below for further details on processes for our tyre retreading operations.

We source our tyre casings from various parties including tyre traders, tyre retailers and our customers (*mainly fleet operators*). We only use tyre casings that comply with our quality standards in the manufacturing of our retreaded tyres. We have invested in a German-made shearography tyre scanning and testing system to check the conditions of used tyre casings, paying attention to tyre surface conditions as well as internal damages in the tyre casings, which cannot be easily detected through visual inspection.

As at the LPD, Olympic has a total of nine (9) transportation trucks used in the collection and delivery of retreaded tyres to our customers in the northern region of Peninsular Malaysia. For other locations outside of our coverage, either external transportation companies are appointed or our customers will have to make their own transportation arrangements.

7. BUSINESS OVERVIEW *(cont'd)*

7.3.2 Competitive advantages and key strengths

Established track record in Malaysia

We have approximately half a century of history in the tyre retreading industry. Our founders and key directors, namely Dato' Seri Cheah and his family members were in the battery and tyre services business since 1965 before venturing upstream into the tyre retreading business in 1967 followed by the development, manufacturing and distribution of tyre retreading materials in 1980.

Through decades of operating in the rubber compounding and tyre retreading industries, we believe we have built a good reputation and brand name for the quality of our products and services amongst many of our loyal customers. Through the consistency in quality of our products and services, we are able to compete against our competitors to secure new customers as well as retain existing customers.

We have over 260 customers contributing to our revenue for FYE 2015 and over 360 customers for FPE 2016. Our top ten (10) customers contributed 36.7% of our total revenue for FYE 2015 and 47.5% of our total revenue for FPE 2016. Half of our top ten (10) customers for FPE 2016 have been in business with us for an average of more than 25 years *(collectively, they contributed 18.0% of our total revenue for the said period)*.

This factor, along with our other competitive advantages and key strengths below and our growth strategies, has led us command a market share of about 22% in 2015 for the development, manufacturing and distribution of tyre retreading materials in Malaysia *(source: IMR Report)*. We believe we will continue to maintain this position in Malaysia as well as to continue our growth in international markets.

Global customer base with exports to at least 23 countries for FYE 2015 and FPE 2016

In 1986, we began to expand our market presence overseas, starting with the export of camelbacks to Hong Kong and Singapore. Since 2004, through our active participation in international trade fairs and exhibitions and via other promotional / marketing activities, we have been able to grow our export sales significantly. For FYE 2015 and FPE 2016, our overseas markets made up 55% and 57% of our total revenue respectively, with exports to at least 23 countries globally.

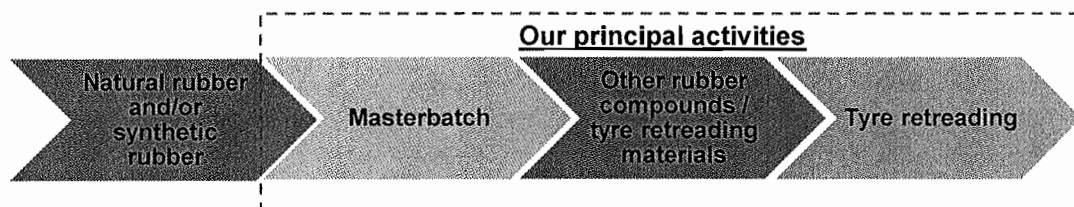
As we have entrenched ourselves in Malaysia with a market share of about 22% in 2015 for the development, manufacturing and distribution of tyre retreading materials *(source: IMR Report)*, and in our view the Malaysian market is already saturated with various players, our wide reach to overseas markets provides us with valuable growth avenues. With our penetration into various overseas markets, we are able to capitalise on growth opportunities where we are able to supply new product range with a focus on high value-added and premium products required by many international customers. For example, European customers may require specialised pre-cured tread liners for use in extreme winter conditions that demand softer compounds, finer tread patterns and various channels and grooves for better traction whilst South American customers may require more durable pre-cured tread liners and tougher sidewalls to absorb the impact of rocks and other heavy duty off-road conditions. We view these markets as areas for growth and our future plans and growth strategies are designed to capitalise on these opportunities *(see Section 7.3.3 below)*.

Having a global customer base also mitigates the risks relating to concentration of customers and single country risk. Where certain countries may be experiencing prolonged economic difficulties, we are able to channel more of our sales effort to other countries that may command higher sales volume and higher profitability margins.

7. BUSINESS OVERVIEW (cont'd)

We are a tyre retreading solutions provider operating across the value chain

We are a tyre retreading solutions provider established in both the upstream and downstream sectors of the tyre retreading value chain. We commence our principal activities upstream from sourcing of raw materials comprising natural rubber, synthetic rubber, carbon black, rubber processing oil and chemicals, to producing masterbatch, which is further developed into other tyre retreading materials and ultimately to tyre retreading products and services downstream, as illustrated below:-



By serving across the value chain, we are able to understand the diversity of specific requirements expected by our upstream to wholesale customers across the chain. It helps us in our formulation and development of new and improved rubber compounds used in the manufacturing of our tyre retreading materials and we are able to leverage on our downstream activities to provide our customers with total tyre retreading solutions to meet their needs. We believe our ability to integrate our business and operations across the value chain is key to maintaining competitiveness in the market.

Through such integration, we have been able to improve supply chain coordination, leading to high production efficiency, ability to capture upstream and downstream profit margins, gain access to downstream distribution channels and expand on our competencies.

We possess the expertise and experience garnered over half a century

Our Group's founders and key directors have been involved in rubber-related industries since the 1960s, from trading of raw rubber and servicing the retail tyre markets to currently producing rubber compounds for the global tyre industry as well as running wholesale tyre retreading operations (see Section 9 of this Prospectus for details of our Directors and Key Management). They possess strong technical expertise garnered over the years and practise a hands-on approach throughout our businesses, from product development to operations and customer service.

Individual directors have their own specialty in their respective field of work. For example, Dato' Seri Cheah possesses extensive experience and influence in the tyre retreading industry in Malaysia. He is the Life Honorary President for the Malaysian Association of Tyre Retreaders and Dealers Societies and North Malaysia Tyre Association as well as an Executive Advisor to North Malaysia Tyre Association and Tyre Retreads Manufacturers Association of Malaysia. He is one of the key people who started the tyre retreading materials manufacturing business for our Group. Through his leadership and vision in the tyre industry, he has created a strong corporate branding for our Group which has positioned us as one of the tyre retreading material providers with an established market reputation in Malaysia.

Our co-founder, Eu Ah Seng, possesses over 50 years' experience and knowledge in rubber compounding. With his leadership and expertise, we have been able to successfully formulate many customised rubber compounds used in the manufacturing of tyre retreading materials. His business network in the industry has also helped in expanding our businesses.

7. BUSINESS OVERVIEW (cont'd)

Our Group's Chief Executive Officer / Executive Director, Cheah Siang Tee, has also been actively involved in the tyre business for over ten (10) years. He joined our Group in 2004 and has been instrumental in formulating our sales and marketing strategies, especially in penetrating new overseas markets, which we have since enjoyed significant growth in our export sales.

Furthermore, most of the key personnel employed possess the necessary management qualifications and have been with our Group for many years. As such, we have the necessary experience, knowledge and network, and shall endeavour to deliver quality products and services to meet our customers' requirements. We also provide our young management personnel the opportunity to attend relevant training programmes to groom the next generation of talents to assist in running and growing our business.

Development and customisation capabilities to meet unique requirements

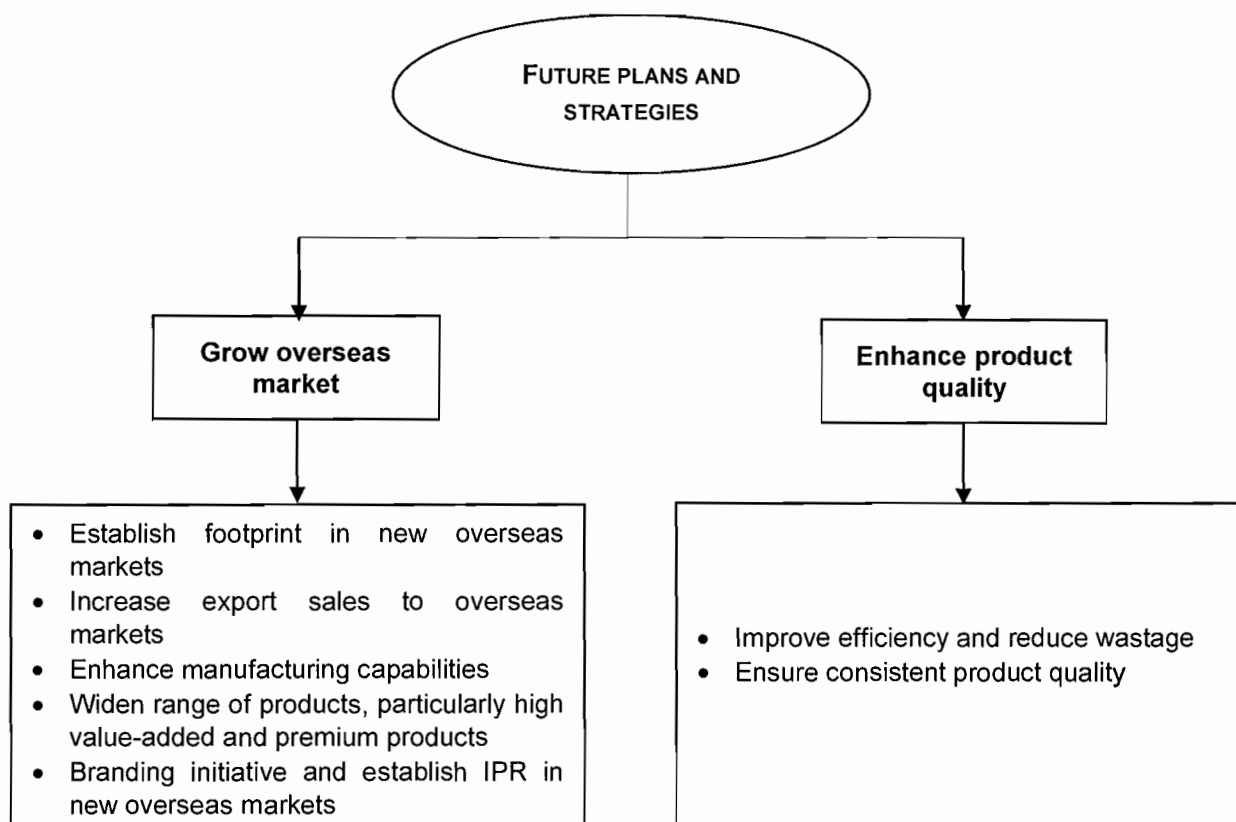
Leveraging on our decades of experience in the rubber compounding industry, we are able to develop and customise various formulations to fulfill the unique and evolving requirements of our customers. Our database of rubber compounding formulations is also constantly being improvised via continuous feedback from our customers.

As such, our formulation of tyre retreading materials cannot be easily plagiarised by other competitors. Manufacturers with the same factory set-up may not be able to produce the same product quality unless they possess the right formulations, technical know-how and manufacturing experience.

Over the years, we have customised numerous products for various applications in different weather and workload conditions, which emphasise on a combination of the following tyre performance properties:-

Properties	Description
(i) Contact patch	Portion of the tyre that is in actual contact with the road surface
(ii) Cornering force	Side force exerted on the tyre during cornering movement
(iii) Force variation	Property of a tyre that affects steering, traction, braking and load support
(iv) Work load and load sensitivity	Behaviour of tyres under load. For instance, the effectiveness of the tyre's friction against the road surface decreases as the load increases
(v) Rolling resistance	Friction between the tyre and the road. A low rolling resistance contributes to fuel savings
(vi) Aligning torque	Ability of tyre to realign after a cornering movement to return the wheels to a straight movement
(vii) Stopping distance	Distance a vehicle will travel from the point when its brakes are fully applied to when it comes to a complete stop
(viii) Wet and dry traction	Performance of the tyre under wet and dry conditions
(ix) Tread wear of retreaded tyres	Durability and lifespan of the retreaded tyres
(x) Tyre balance	Distribution of mass within a tyre. An imbalanced tyre attached to the vehicle can result in a wobbling of the entire vehicle

In addition, in the upstream operations, we have the technical expertise to develop formulations to produce rubber compounds with qualities that can be used to further develop other rubber-based products for other industries. For example, we have formulated and manufactured rubber compounds to produce conveyor belts that are being used in the mining industry, and thermal insulation materials for pipes. See Section 7.3.3(ii) below for further details on our other rubber-based products.

7. BUSINESS OVERVIEW (cont'd)**7.3.3 Future plans and strategies****(i) Increase export sales to overseas markets**

For our tyre retreading materials business, we plan to increase our export sales and our geographical footprint to various overseas markets. The new markets we intend to expand to will primarily be outside the ASEAN region, with a focus on the South American region. Although we exported to at least 23 countries around the world for FYE 2015 and FPE 2016, we are still expanding to new markets through trade fairs and exhibitions and other promotional activities. Outside of Hong Kong and PRC, we do not have overseas marketing or distribution office. We believe this represents an opportunity for us to strengthen our position and to increase our sales in countries we currently serve as well as those in new markets.

For FYE 2015, we enjoyed an increase of 181% for our export sales to a growing demand for our tyre retreading materials in the American region. It also marks our first foray into Brazil, in which we expect demand for our products to grow progressively in the foreseeable future. We recognise this potentially lucrative market and plan to focus our efforts in Brazil, as well as other countries in South America.

7. BUSINESS OVERVIEW *(cont'd)*

In 2016, we have identified a customer in South America (*a trader of tyre retreading materials*) to be our business partner for the South American market, where collaboration shall be in two (2) areas. Firstly, we have entered into a distribution agreement in September 2016 (*see further details in Section 15.5 of this Prospectus*) appointing our business partner to be the distributor to promote and market our tyre retreading materials for the South American market. Secondly, we are finalising details of a JV arrangement with our business partner to establish a tyre retreading plant in South America. The JV arrangement will be such that our Group will supply tyre retreading materials such as pre-cured tread liners and cushion gums for the tyre retreading plant in South America whilst the JV entity to be incorporated shall market and distribute the retreaded tyres.

With Olympic's tyre retreading experience and knowledge, we believe we are able to create synergies with our business partner to provide quality tyre retreading products and services for the South American markets. In late-2016, our business partner has rented a factory in South America and we have been working together in planning the factory set-up. The installation works of the retreading plant are expected to commence in mid-2017 and the plant is expected to commence tyre retreading operations in mid-2018. As at the LPD, we have not incurred any financial commitments in respect of the JV arrangement. The sharing of any such commitments and/or benefits by our Group in the JV arrangement will depend on our eventual equity participation and finalisation of other terms in the JV agreement.

Furthermore, we will set up an office and storage facility in Eastern Europe in mid-2017 using internally generated funds. This is to better service our existing and potential customers in the whole European market. The premise will be used to carry out our administrative and marketing activities as well as for the storage of our products for the European market.

(ii) Enhance manufacturing capabilities to widen range of products, with focus on high value-added and premium products

Over the period under review, we have managed to significantly increase our gross profit margins for our overseas markets (*see Section 12.4.3 of this Prospectus*) as we are able to command better pricing in certain overseas markets which demand a wider range of products as compared to Malaysia due to seasonal weather differences, different vehicle specifications as well as to cater for the different working conditions in overseas markets. Hence, we intend to further capitalise on such growth opportunities by utilising the IPO proceeds to establish manufacturing lines that are capable of producing a wide product range to meet our overseas customers' requirements. For example, European customers may require specialised pre-cured tread liners for use in extreme winter conditions that demand softer compounds, finer tread patterns and various channels and grooves for better traction whilst South American customers may require more durable pre-cured tread liners and tougher sidewalls to absorb the impact of rocks and other heavy duty off-road conditions.

In addition, we intend to fully utilise our technical capabilities to continue developing new innovative products as well as improve the quality of our existing products for our customers in our existing and new markets. In our product expansion plan, we will focus on the following areas:-

- Formulate and develop new rubber compounds to produce tyre retreading materials with better performance and longer durability; and
- Design and develop more pre-cured tread liner designs to cater for different road, weather and driving conditions.

7. BUSINESS OVERVIEW (cont'd)

We are also venturing into the development of other new rubber-based products for different industries. For example, we began supplying the Weir Minerals group of companies (*which specialises in the supply of specialty machinery and equipment for the mining industry*) with rubber compounds to be used in the manufacturing of rubber conveyor belts for their conveyor systems. Conveyor systems used in mining operations must be able to withstand rough and heavy material handling. Therefore, the rubber materials used have to be able to perform under those conditions. With our experience and knowledge in rubber compounding, we are able to manufacture the desired rubber compounds to their conveyor belts' specification and requirement. Since FYE 2015 up to 30 September 2016, we have supplied them over 350 tonnes of customised rubber compounds, which had contributed approximately RM2.93 million to our revenue.

At the same time, we have also identified new opportunities to expand our business, to produce rubber compounds for thermal insulation pipes. In 2016 (*until 30 September 2016*), we have secured a rubber compound mixing workmanship order and successfully delivered over 200 tonnes of rubber compounds for thermal insulation pipes, contributing approximately RM0.13 million to our revenue.

Currently, we are conducting a feasibility study on how best to utilise our expertise in rubber compounding and excess capacity to produce other rubber-based products. We see this as an opportunity to expand into another business segment and provide more rubber-based products to the mining industry, as well as other industries that require rubber-based products.

(iii) Branding initiative and establish IPR in new overseas markets

We have already registered our trademarks in Malaysia and PRC. As a next step, we intend to trademark our brand in a number of countries (*see Section 4.7.2 of this Prospectus*) and towards this end, we expect to incur approximately RM2.0 million, of which RM1.0 million will be financed from our IPO proceeds and the remaining from our internally generated funds. We view the protection of our trademarks as an important step towards becoming an international player. Upon the successful registration of our trademarks with the respective foreign regulators, we will be able to secure and protect our logos and/or brand name, products' identity and integrity as well as our position in the new markets. This serves to mitigate the risk factor associated with the protection on our trademarks (*see Section 5.1.6 of this Prospectus*).

(iv) Improve efficiency, reduce wastage and ensure consistent product quality

As set out in Section 4.7.1 of this Prospectus, we intend to utilise a major portion of our IPO proceeds to invest in new manufacturing lines and manufacturing automation systems comprising automated buffing and packing lines, loading and unloading systems, robotic hands as well as conveyor systems in our manufacturing facilities in Malaysia.

We believe that with enhanced automation systems in place, we will be able to improve the consistency of our product quality, increase production efficiency, reduce wastage and reduce human error. This is also in line with our strategy to reduce our dependency on foreign workers.

The rationale for investing in new manufacturing lines and manufacturing automation systems vis-à-vis our manufacturing capacity utilisation rate are set out in the Notes to Section 7.4.2 below.

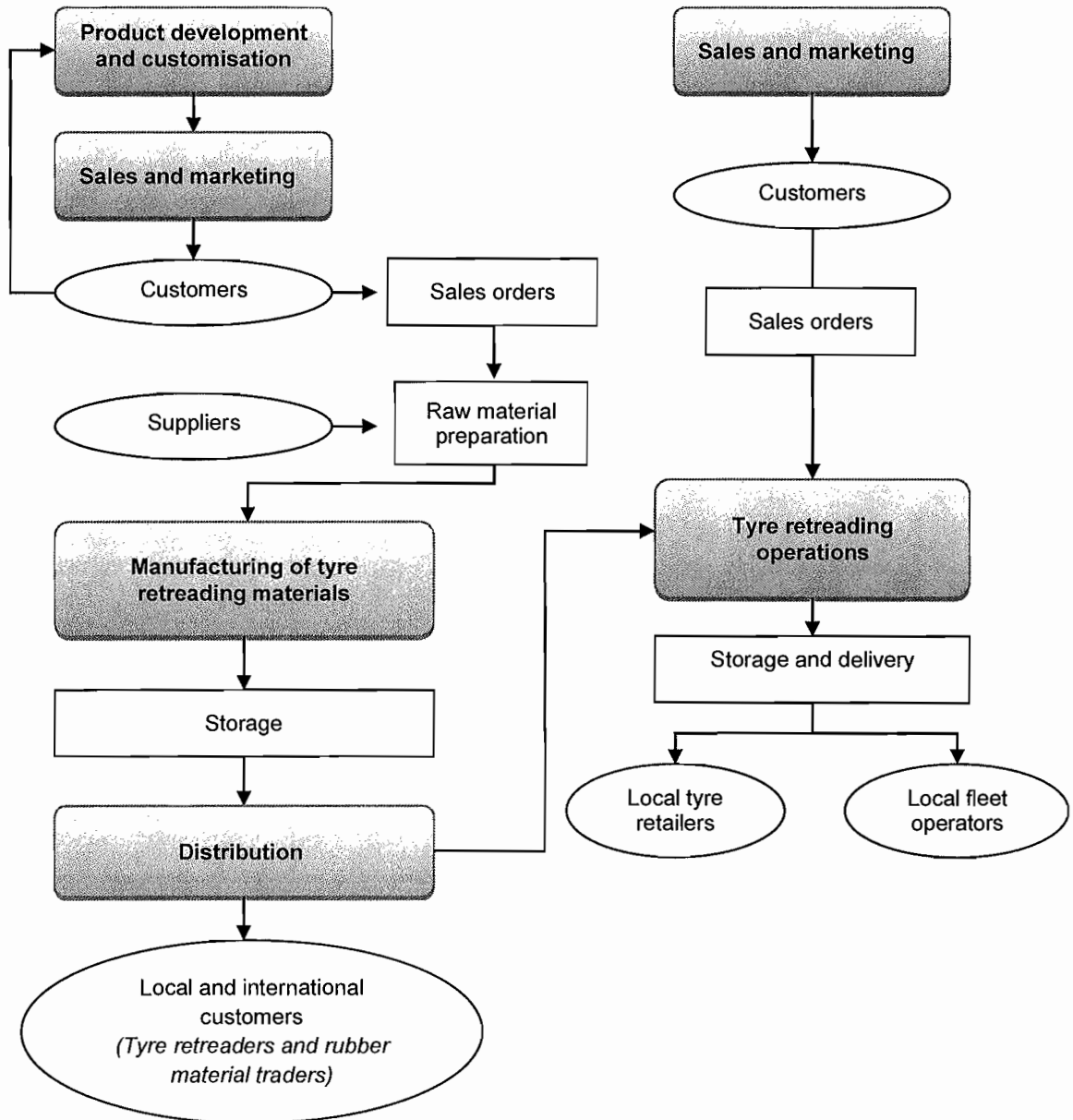
7. BUSINESS OVERVIEW (cont'd)

We have identified several manufacturing system providers in Taiwan, PRC, Brazil, Italy and Germany to supply us with the relevant technology. Since late-2016 (up to the LPD), we have incurred RM4.0 million for such new manufacturing lines and automation systems. The supplier's quotations for the remaining items shall be finalised and the most suitable quote will be selected closer to the acquisition date. We intend to complete the acquisition and installation of all these machines within two (2) years from our Listing.

7.4 Operational processes and facilities

7.4.1 Manufacturing model

Our Group's overall operational process workflow is outlined in the diagram below:-



Our Group's business activities are segmented into two (2) main categories as follows:-

- Development, manufacturing and distribution of tyre retreading materials; and
- Tyre retreading operations

7. BUSINESS OVERVIEW (cont'd)

A. Development, manufacturing and distribution of tyre retreading materials

The tyre retreading materials manufactured by us are mainly pre-cured tread liners, camelbacks, cushion gums, repair ropes, sidewall veneers and orbitreads. The operations of our tyre retreading materials business are detailed below:-

Product development and customisation

We conduct continuous product development and customisation activities to manufacture new and enhanced tyre retreading materials to meet our customers' requirements and specifications via the formulation of various rubber compounds used in our manufacturing of tyre retreading materials and retreaded tyres.

When developing new products, we begin by product trial and testing through our customers such as fleet operators, providing them the use of these new products in their transportation and logistics operations. Once the new products are accepted by our customers, we will commercialise and promote them in existing markets as well as to new markets via trade fairs and exhibitions.

Sales and marketing

Our tyre retreading materials are marketed and distributed to tyre retreaders and rubber material traders, locally and internationally. We adopt a personalised marketing strategy where we actively participate in international trade fairs and exhibitions to promote and demonstrate our products to customers. We also visit our customers to promote new and existing range of products.

Customers can place their orders through our sales and marketing department. Once a sales order is placed and secured, we will prepare the production order for the production department to commence manufacturing.

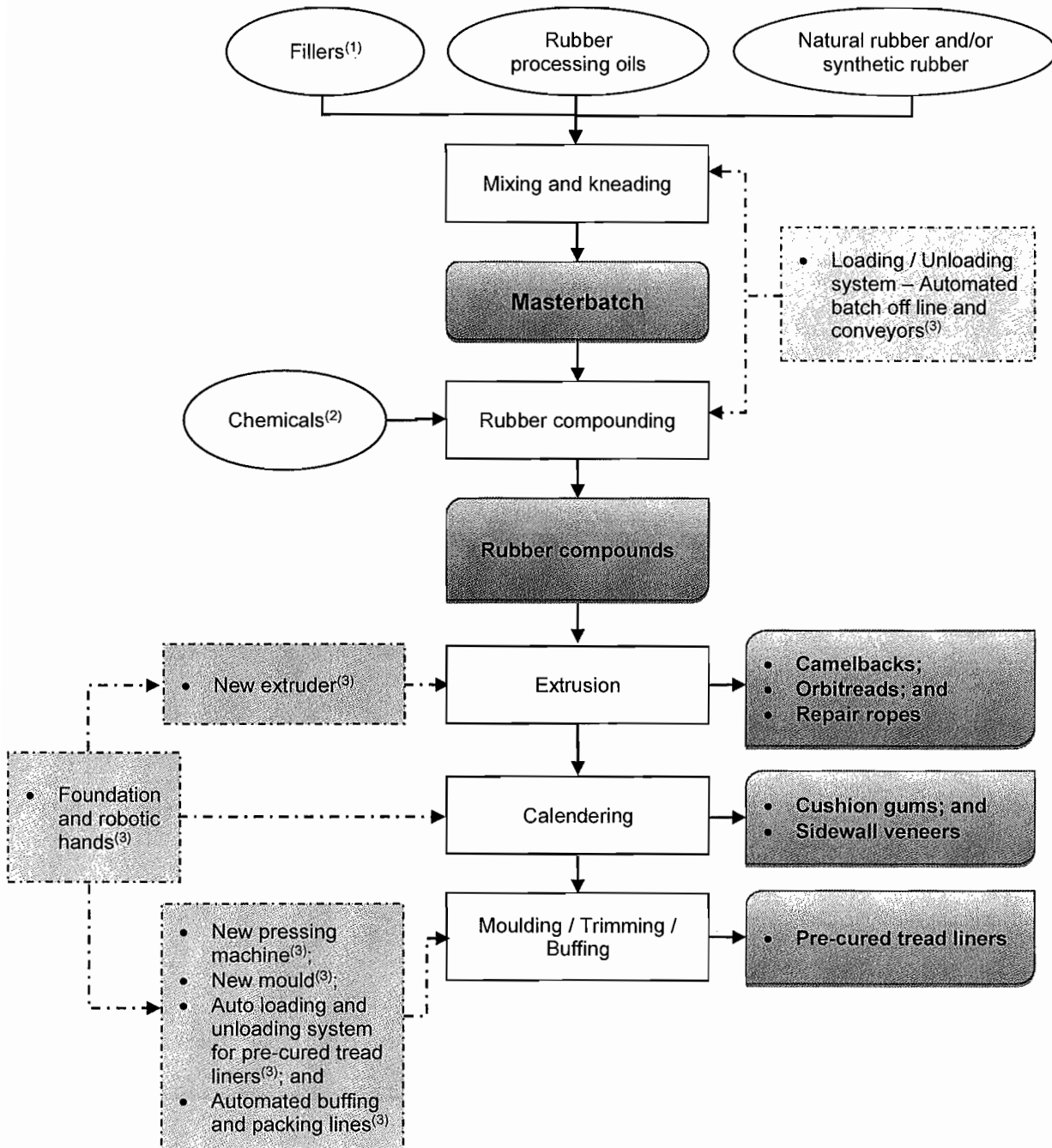
Raw material preparation

To avoid any delays in manufacturing, we ensure that we have a sufficient amount of raw materials in our warehouse prior to commencement of manufacturing. We procure our raw materials, mainly natural rubber and/or synthetic rubber, rubber processing oils, carbon black and chemicals from our suppliers locally and internationally. Upon receipt from our suppliers, we inspect the raw materials received to ensure that there are no deficiencies or defects which may cause a delay or disruption in our manufacturing process. After inspection, raw materials are delivered to the warehouse to await manufacturing.

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7. BUSINESS OVERVIEW (cont'd)

The manufacturing processes and flowcharts for our tyre retreading materials are further illustrated below:-



Notes:-

(1) Comprise carbon black and chemicals

(2) Chemicals used comprise curing agents, accelerators and/or antioxidants

(3) These are the new machines / systems for our manufacturing enhancement exercise as set out in Section 4.7.1 of this Prospectus

7. BUSINESS OVERVIEW *(cont'd)*

Manufacturing of masterbatch

Masterbatch is an essential raw material used in the manufacturing of other tyre retreading materials. Our masterbatch is formulated in-house through the mixing of a series of natural rubber and/or synthetic rubber, rubber processing oils and fillers such as carbon black and chemicals.

Prior to commencement of manufacturing of the masterbatch, the necessary raw materials are prepared from the warehouse. All the raw materials used in the manufacturing of masterbatch will be weighed to ensure that they are in accordance with the pre-determined formulations.

When all raw materials have been prepared, the manufacturing process begins, starting with compounding. The mixer is adjusted to the correct parameters to ensure that the compounds are mixed in the proper sequence. After the mixing process is completed, the masterbatch is sent for sheeting to be turned into a sheet form.

The masterbatch then undergoes an anti-tacking process. Hot rubber compounds have a tendency to stick together due to their tackiness. The application of an anti-tacking coating to the surface of the rubber sheet keeps it from sticking to other rubber sheets. The rubber sheets will then be cooled down, dried and cut into the slabs (*of pre-determined shape and size*) with a cutter. The masterbatch slabs will be weighed and inspected before being packed.

Next, the masterbatch undergoes a batch testing in our internal laboratory. Upon successful testing, the masterbatch is ready to be used to manufacture our other tyre retreading materials. If the test results are not up to standard, the whole batch is reworked to achieve the desired results or discarded. The masterbatch is further compounded with chemicals such as curing agents, accelerators and/or antioxidants to produce other tyre retreading materials i.e. camelbacks, orbitreads, repair ropes, cushion gums, sidewall veneers and pre-cured tread liners.

Manufacturing of rubber compounds

Our rubber compounds are formulated to meet the physical and functional requirements of individual tyre retreading materials i.e. camelbacks, orbitreads, repair ropes, cushion gums, sidewall veneers and pre-cured tread liners. We have a team of experienced staff constantly working on improving our rubber compound formulations to enhance our tyre retreading materials.

The raw materials are put through a series of processes to produce our rubber compounds:-

- Mixing;
- Blending;
- Cutting;
- Anti-tacking; and
- Drying and cooling.

The finished products are then QC tested for viscosity, gravity, rheumatic, hardness, tensile strength and abrasiveness.

To manufacture our tyre retreading materials, a sequence of manufacturing processes, such as extrusion, calendaring, moulding, trimming and buffing, are carried out before being developed into finished products, being camelbacks, orbitreads, repair ropes, cushion gums, sidewall veneers and pre-cured tread liners.

7. BUSINESS OVERVIEW *(cont'd)*

Manufacturing of camelbacks, orbitreads and repair ropes

The rubber compounds to manufacture camelbacks, orbitreads and repair ropes go through an extrusion process and other sub-processes before the finished products are produced.

The rubber compounds are force fed into an extruded hopper, set at a pre-determined speed and temperature, and go through a screw and die under pressure of the extruder to form the extruded rubber, in this case the camelback, orbitread and repair rope. Next, the surface of the extruded rubber is coated with an anti-tacking solution. Subsequently, the extruded rubber will go through a series of cooling and drying processes to remove water from the surface.

Camelback is formed by processing the extruded rubber through a size roller to flatten it into a rubber sheet with pre-determined thickness and width. Subsequently, we will carry out an anti-tacking process followed by a cooling and drying process before being packed in reel or roll form.

Orbitread is formed after the extruded rubber goes through a cooling process in a water bath. It is then subjected to an anti-tacking process to prevent stickiness before being dried by a cooling fan. Finally, the orbitread is stacked neatly into individual packing crates via a roller.

After being extruded, the repair ropes go through an anti-tacking process to prevent stickiness and then dried by a cooling fan. They are then packed into carton boxes through a conveyor belt.

Subsequently, the camelbacks, orbitreads and repair ropes will go through a visual inspection to ensure that they are free of defects and meet product specifications. They are then weighed, labelled and stored in the finished goods area.

Manufacturing of cushion gums and sidewall veneers

Our cushion gums and sidewall veneers are made from pre-formulated, pre-compounded and extruded rubber compounds. The extruded rubber compounds will undergo a calendaring process and other sub-processes to form the cushion gums and sidewall veneers.

To manufacture our cushion gums and/or sidewall veneers, the extruded rubber compound is pre-heated in a milling machine until it is hot and soft. It is then cut into a roll form and fed into the calendaring line to form a compound sheet with pre-determined thickness and width. The compound sheet is then cooled on a conveyor belt at a pre-determined temperature and speed. After the drying process, a visual inspection is conducted to confirm that the cushion gums and/or sidewall veneers are free of surface defects, and that the thickness and width of the cushion gum and/or sidewall veneer sheets conformed to our product specifications.

After the QC approval, the cushion gum and/or sidewall veneer sheets are coiled together with embossed plastic sheets. Each roll of cushion gum and sidewall veneer sheets is then measured to the required weight before being labelled and stored in the warehouse awaiting delivery.

7. BUSINESS OVERVIEW *(cont'd)*

Manufacturing of pre-cured tread liners

Pre-cured tread liners are pre-vulcanised tyre treads moulded with patterns and profiles. Our pre-cured tread liners come in a variety of dimensions, sizes, weights and patterns.

We use our pre-compounded extruded rubber and pre-fabricated moulds to produce our pre-cured tread liners. We manufacture our own extruded rubber and cut them into the required lengths. Each batch of extruded rubber is then packed in coil form and properly recorded.

Prior to the moulding process, the extruded rubber will go through a calendering process. In the calendering process, extruded rubber is passed through a series of rollers to flatten the extruded rubber compound into a blank rubber sheet.

The next process is moulding. The blank rubber sheets are placed into the moulds to be pressed into the pre-designed tread liner pattern. As at the LPD, we produce and distribute over 70 patterns of pre-cured tread liners. Our product development team is constantly developing new and enhanced pre-cured tread liners with different patterns to improve tyre performance and durability for our customers. As such, we have many moulds properly stored in our warehouse.

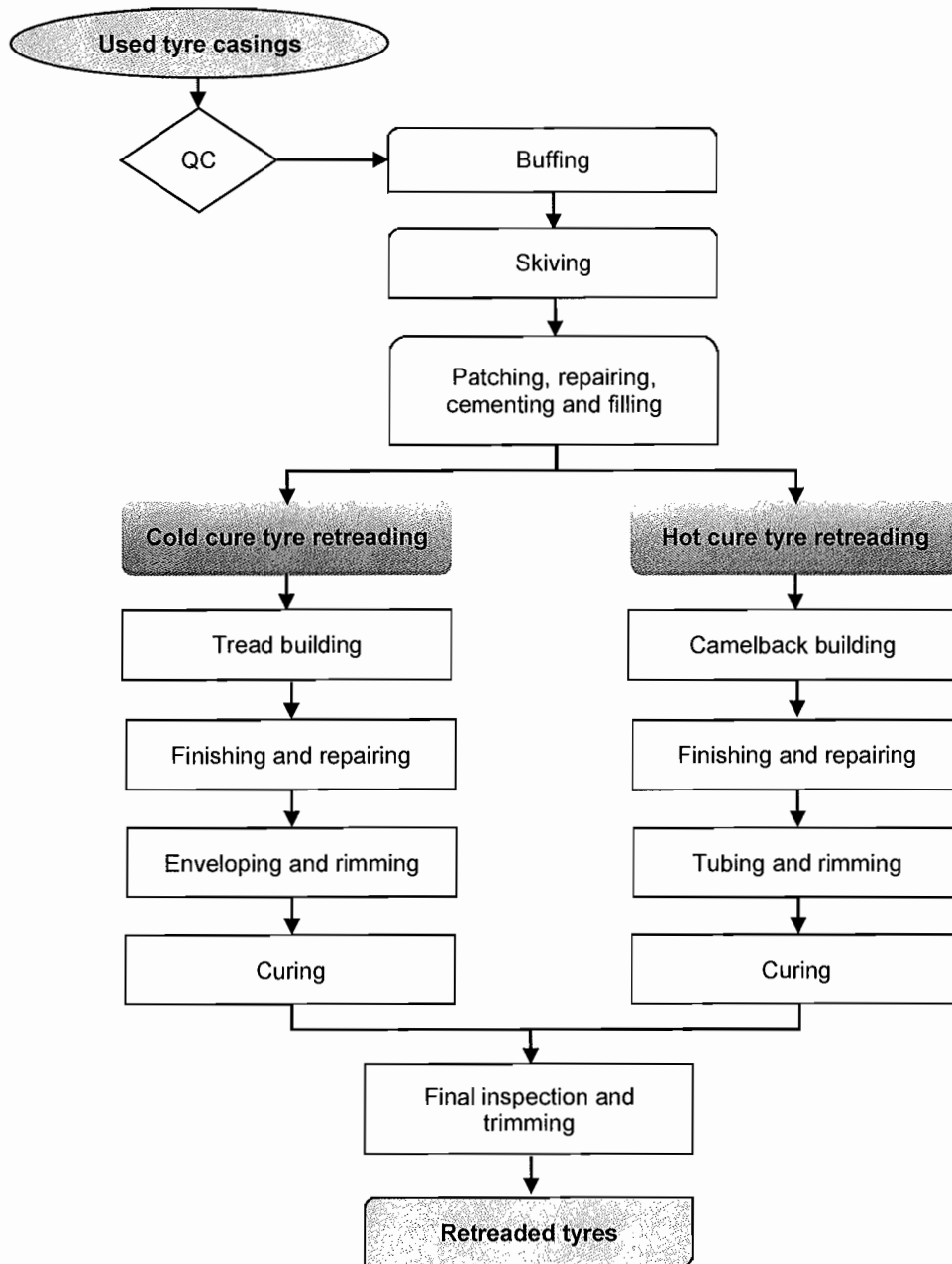
After the moulding process, the newly moulded tread liners usually have excess rubber, which has to be trimmed and buffed before a QC inspection is done to ensure that the new moulded tread liners conform to specifications and requirements.

After a final inspection, the pre-cured tread liners will be weighed, packed, labelled and stored in our warehouse awaiting delivery.

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7. BUSINESS OVERVIEW (cont'd)

B. Tyre retreading operations



7. BUSINESS OVERVIEW (cont'd)

We provide tyre retreading products and services to local tyre retailers and fleet operators. Customers can place their orders through our sales and marketing department.

Used tyre casings

We source our tyre casings from various parties including tyre traders, tyre retailers and our customers (*mainly fleet operators*). We only use tyre casings that comply with our quality standards in the manufacturing of our retreaded tyres.

Initial inspection

The tyre retreading process begins with an initial inspection of the used tyre casings collected. In the initial inspection process, we conduct a visual and tactile check of the used tyre casings, followed by a non-destructive shearography scan. The non-destructive shearography scan detects inherent separations in the tyre casings that are otherwise invisible and remain undetected by the naked eye. If the tyre casings pass the initial inspection process, we will keep them in a storage area until they are sent for the tyre retreading process. If the tyre casings fail our inspection (*i.e. severely damaged and/or in unusable condition*), they will not be accepted and subsequently disposed of or returned to the respective source.

Buffing

The next process is buffing, where we remove old worn tread and sidewall rubber on the tyre casings to prepare the used tyre casings for the application of new treads. We use a computer-controlled machine with high-speed revolving rasps and brushes to ensure that the buffed tyre casings can achieve the exact dimensions for further processes. This leaves a rough surface on the tyre casings, which aids in proper adhesion with the new treads. Before the new treads can be applied, further inspection is required.

Skiving

After the buffing process, we will brush the tyre casings with a stiff wire brush to remove any loose rubber and debris.

Patching, repairing, cementing and filling

After the skiving process, the used tyre casings have to be cleaned. Subsequently, we will conduct visual diagnostics on the severity of punctures, cuts or other damages and repair these internal damages. The prepared tyre casings will undergo a cementing process where gum solutions are sprayed onto the casings. After the cementing process, any damages on the surface of tyre casings will be repaired (*i.e. holes found in the tyre casings are filled with rubber compounds / repair ropes and patched*) to reinforce the tyre strength. This creates a permanent repair that maximises tyre life.

7. BUSINESS OVERVIEW (cont'd)

Tyre retreading

Once the tyres are repaired, the buffed tyre casings are ready for retreading. We carry out two (2) types of tyre retreading processes (*i.e. cold cure and hot cure tyre retreading*). Details of these two (2) tyre retreading processes are further explained below:-

(i) Cold cure tyre retreading

The cold cure tyre retreading works by applying a pre-cured tread liner with a layer of cushion gum on a buffed tyre casing. Cold cure tyre retreading is the most commonly used method today as it allows more flexibility in manufacturing retreaded tyres of different sizes and/or with different tread patterns as well as exerts less stress on a tyre casing (*in view of lower pressure and temperature used during the curing process as compared to hot cure tyre retreading*) allowing the tyre to be retreaded for more times. For FYE 2015 and FPE 2016, approximately 73% and 76% of our retreaded tyres respectively were produced using the cold cure tyre retreading method.

Tread building

To begin the cold cure retreading process, we source the pre-cured tread liners and cushion gums from Rubber Works. In cold cure tyre retreading, the tread liners have already been vulcanised with the new tread pattern. To stick the pre-cured tread liner onto a buffed casing, we will wrap a layer of cushion gum around the crown area of the tyre casing. Subsequently, the pre-cured tread liner is wrapped around the tyre casing. This is called the tread building process.

Finishing and repairing

After the tread building process, we will conduct the finishing and repairing processes to ensure there are no defects in the retreaded tyre before the enveloping and rimming process as well as curing process. Any defects identified will be repaired.

Enveloping and rimming

The built tyres are then mounted with envelopes to prepare them for curing. The tyres are first fitted with an outer envelope (*enveloping*) before the inner envelope is fitted onto them (*rimming*). The enveloped tyres are then vacuumed out for preparation prior to curing.

Curing

The tyres are then placed in a curing chamber where the pre-cured tread liners will adhere to the tyre casings through a vulcanising process. After the curing process, the retreaded tyres will have a tough and hard tread that resists abrasion and provides good mileage and traction.

(ii) Hot cure tyre retreading

Hot cure tyre retreading is a traditional tyre retreading method. An unvulcanised rubber strip (*i.e. camelback*) is applied to a buffed tyre casing and subsequently placed into a pre-fabricated mould where the tread is to be formed. In hot cure tyre retreading, a dedicated mould is required for each tyre size and each tread pattern.

7. BUSINESS OVERVIEW *(cont'd)*

Camelback building

The application of tread in hot cure tyre retreading is very similar to new tyre manufacturing. The camelback and sidewall veneer are applied to the buffed tyre casing. This is called the camelback building process.

Finishing and repairing

After the camelback building process, we will conduct the finishing and repairing processes to ensure there are no defects in the retreaded tyre before the tubing and rimming process as well as curing process. Any defects identified will be repaired.

Tubing and rimming

The prepared tyre casing with uncured or unvulcanised rubber (*i.e. camelback or orbitread*) is placed inside the mould. Next, the body of the tyre gets inflated to the proper pressure inside the mould, the tyre casing conforms the camelback to the mould, forming the tread pattern under a pre-determined temperature and time.

Curing

The tyres are then sent for curing process to strengthen its toughness. After the curing process, the retreaded tyres will have a tough and hard tread that resists abrasion and provides good mileage and traction.

Final inspection and trimming

The retreaded tyres will then undergo a trimming process before a final inspection is performed. This QC inspection ensures that only tyres that meet industry quality standards are allowed to leave our tyre retreading factory. All tyres retreaded by us are MS 224:2005 certified by SIRIM QAS.

7.4.2 Office, warehouse, manufacturing facilities and capacity

As at the LPD, the locations of our Group's office, warehouse and/or manufacturing facilities are as follows:-

Company	Address
Rubber Works	Lot 82, 90, 93 and 94, Lebuhr Portland, Tasek Industrial Estate, 31400 Ipoh, Perak, Malaysia
Jiaxing	No. 581, Xinnong Road, Jiaxing, PRC
Olympic	No. 6422 and 6424, Jalan Permatang Pauh, Mak Mandin Industrial Estate, 13400 Butterworth, Penang, Malaysia
Eversafe Shanghai	Room 308, Building No. 20, 1440 Middle Yanan Road, Shanghai, PRC

See Section 7.16 below for details on existing use of the above properties.

7. BUSINESS OVERVIEW (cont'd)

Our Group's estimated maximum manufacturing capacity and our actual manufacturing outputs for FYEs 2013, 2014 and 2015 as well as FPE 2016 are shown below:-

Manufacturing of tyre retreading materials

Manufacturing line	Estimated maximum manufacturing capacity (MT)					Actual manufacturing outputs (MT)					Utilisation rate (%)				
	2013	2014	2015	2016	FPE	2013	2014	2015	2016	FPE	2013	2014	2015	2016	FPE
<u>Rubber Works' factories in Malaysia</u>															
Mixing and kneading lines	25,920	25,920	38,880	29,160		16,902	18,100	17,512	13,357		65.2	69.8	45.0	45.8	
Extrusion lines	20,400	20,400	20,400	15,300		8,046	8,237	7,829	5,577		39.4	40.4	38.4	36.5	
Calendering lines	2,640	2,640	2,640	1,980		663	725	591	485		25.1	27.5	22.4	24.5	
Pre-cured pressing lines	10,148	10,148	15,008	11,256		5,931	6,227	5,966	4,694		58.4	61.4	39.8	41.7	
Subtotal	59,108	59,108	76,928	57,696		31,542	33,289	31,898	24,113		53.4	56.3	41.5⁽¹⁾	41.8⁽¹⁾	
<u>Rubber Works' factory in PRC</u>															
Extrusion line	2,700	2,700	2,700	2,025		121 ⁽²⁾	170 ⁽²⁾	180 ⁽²⁾	84 ⁽²⁾		4.5	6.3	6.7	4.1	
Pre-cured pressing line	2,250	2,250	2,250	1,687		124	164	170	89		5.5	7.3	7.6	5.3	
Subtotal	4,950	4,950	4,950	3,712		245	334	350	173		4.9	6.7	7.1	4.7	
Total	64,058	64,058	81,878	61,408		31,787	33,623	32,248	24,286		49.6	52.5	39.4	39.5	

* The estimated maximum manufacturing capacity for FPE 2016 is prorated based on a nine (9)-month period.

7. BUSINESS OVERVIEW (cont'd)Notes:-

The rationale for investing in new manufacturing lines and manufacturing automation systems despite the average utilisation rate of approximately 42% for our manufacturing lines for tyre retreading materials in Malaysia for FYE 2015 and FPE 2016 are as follows:-

Utilisation of proceeds

Our Group's future growth theme focuses on (i) grow overseas markets and (ii) enhance product quality (see Section 7.3.3 above).

The amount of RM12.6 million from our listing proceeds allocated for new manufacturing lines and manufacturing automation systems is specifically tailored to support our Group's growth theme which aims to achieve the two (2) main objectives below (i.e. primary objective is not intended to increase existing manufacturing capacity as this has been addressed via the expansion at Lot 90, Tasek Industrial Estate, Ipoh in 2015):-

(i) Grow overseas markets: enhance manufacturing capabilities and widen range of products, particularly high value-added and premium products

In order to produce OTR treads for the international customers, our Group requires a large extruder and larger pressing lines. Without the large extruder and larger pressing lines (see Section 4.7.1 of this Prospectus), our existing extruders and pressing lines are unable to produce these OTR treads due to their large size.

(ii) Enhance product quality: improve efficiency, reduce wastage and ensure consistent product quality

To achieve the above objective, our Group is enhancing automation systems including loading and unloading systems, automated buffing and packing lines as well as foundation and robotic hands.

Manufacturing capacity utilisation rate

The estimated maximum manufacturing capacity is computed based on 20 daily operating hours for 300 days per year. The loss hours include company off-days and public holidays, changes in manufacturing configuration as well as machinery maintenance and repair downtime.

(1) As compared to FYE 2014, the overall utilisation rate of our manufacturing capacity for tyre retreading materials in Malaysia for FYE 2015 decreased to 41.5% following the completion and commencement of our new factory operations at Lot 90, Tasek Industrial Estate, Ipoh in July 2015. With our new factory, we had commissioned an additional one (1) mixing line and four (4) pressing lines which increased our overall capacity by about 30%. Moreover, in the calculation of utilisation rate, the denominator had included the increased capacity whilst the numerator will need additional lead time to gradually increase. The overall utilisation rate increased slightly to 41.8% for FPE 2016.

Prior to the expansion, our mixing and kneading lines as well as pressing lines were operating at high capacity (i.e. above 70%) in certain months of the year due to high production orders from our customers (see below for further details). In practice, we maintain a 20% to 30% buffer capacity to accommodate any unexpected machinery breakdown and/or order backlog. The investment was necessary to ensure uninterrupted supply of tyre retreading materials to our customers, with a reasonably fast turnaround time. In our industry, high customer satisfaction is important as it will translate into recurring sales orders as well as business referrals, contributing to higher revenue.

7. BUSINESS OVERVIEW (cont'd)

The table below sets out the utilisation rate for our mixing and kneading lines as well as pressing lines for FYE 2014 (prior to completion and commencement of our new factory operations at Lot 90) as well as FYE 2015 and FPE 2016 (after completion and commencement of our new factory operations at Lot 90):-

Manufacturing line	No. of lines		Estimated maximum manufacturing capacity (MT)			Actual manufacturing outputs (MT)			Utilisation rate (%)		
	FYE 2014	FYE 2015	FYE 2014	FYE 2015	FPE 2016*	FYE 2014	FYE 2015	FPE 2016	FYE 2014	FYE 2015	FPE 2016
Rubber Works' factories in Malaysia											
Mixing and kneading lines	2	3	25,920	38,880	29,160	18,100	17,512	13,357	69.8	45.0	45.8
Pre-cured pressing lines	6	10	10,148	15,008	11,256	6,227	5,966	4,694	61.4	39.8	41.7

* The estimated maximum manufacturing capacity for FPE 2016 is prorated based on a nine (9)-month period.

As illustrated in the flowchart set out in Section 7.4.1A above, our manufacturing process starts with the manufacturing of masterbatch and rubber compounds (which are essential raw materials used in the manufacturing of our other tyre retreading materials). Hence, a consistent and sufficient supply of masterbatch and rubber compounds is crucial to facilitate our entire manufacturing of tyre retreading materials process. Any bottleneck in our mixing and kneading lines will cause interruption to our subsequent manufacturing processes. Prior to the expansion, our utilisation rate for mixing and kneading lines was already at 70% for FYE 2014. In addition, during certain months in 2014 and 2015 (i.e. March, May, August, September and November of 2014 as well as January, March, April and June 2015), our mixing and kneading lines were operating at high capacity of above 70% as we received high purchase orders from our overseas customers. Following our expansion, the utilisation rate for mixing and kneading lines reduced to 45.0% for FYE 2015 before gradually picking up to 45.8% for FPE 2016 (with the highest utilisation rate of 56.3% achieved in August 2016).

As for pre-cured tread liner, it is the top contributor to our Group's revenue. More than 60% of our Group's revenue for the period under review were derived from the sales of pre-cured tread liners. As at the LPD, we produce and distribute over 70 patterns of pre-cured tread liners. Hence, it is essential for us to have sufficient pressing lines to meet our customer orders within the delivery time. Prior to the expansion, we have six (6) pressing lines to produce our pre-cured tread liners. Even with these six (6) pressing lines, we were unable to fully cater to our production during peak months and had to prolong delivery time to our customers such as during the month of August 2014 whereby we operated at close to full capacity in certain weeks, leading to a high utilisation rate of 82.1% for the month. Although technically we can further extend the running time of pressing lines, the process of changing moulds will consume a lot of time. This would result in inefficiencies with only six (6) pressing lines to cater to over 70 different types of pre-cured tread liners. Following our expansion, the utilisation rate for pressing lines reduced from 61.4% for FYE 2014 to 39.8% for FYE 2015 before gradually picking up to 41.7% for FPE 2016 (with the highest utilisation rate of 48.0% achieved in March 2016).

For our extrusion lines and calendaring lines, we have not increased their capacity for the past five (5) years as we currently have sufficient capacity.

As part of our manufacturing enhancement exercise using the IPO proceeds (see Section 4.7.1 of this Prospectus), the acquisition of a large extruder and a large pressing line enables us to produce OTR treads up to 800 mm width for our international customers. Due to the large size of the new product range i.e. the OTR treads, we need to utilise larger machines. Prior to the acquisition of such large extruder and large pressing line, we do not produce OTR treads.

As for our PRC operations, we have no intention for further expansion as we currently have sufficient capacity to produce for our PRC market.

(2) All extruded rubber compounds produced in PRC are used in the manufacturing of pre-cured tread liners for our PRC market.

7. BUSINESS OVERVIEW (cont'd)

Manufacturing of retreaded tyres

Manufacturing line	Products	Estimated maximum manufacturing capacity (unit)						Actual manufacturing outputs (unit)						Utilisation rate (%)							
		2013		2014		2015		2013		2014		2015		2013		2014		2015		2016	
		FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE
Olympic's factory in Malaysia																					
Hot cure presses (for hot cure tyre retreading)	Retreaded tyres	55,500	55,500	55,500	41,625	12,568	10,733	8,797	5,777	22.6	19.3	15.9	13.9								
Pre-cured chambers (for cold cure tyre retreading)	Retreaded tyres	33,600	33,600	33,600	25,200	28,687	25,686	23,471	17,843	85.4	76.4	69.9	70.8								
Total		89,100	89,100	89,100	66,825	41,255	36,419	32,268	23,620	46.3	40.9	36.2	35.3								

* The estimated maximum manufacturing capacity for FPE 2016 is prorated based on a nine (9)-month period.

Note:-

The estimated maximum manufacturing capacity is computed based on 12 daily operating hours for 300 days per year. The loss hours include company off-days and public holidays, changes in manufacturing configuration as well as machinery maintenance and repair downtime.

We utilise both the cold cure and hot cure retreading processes in our tyre retreading operations. Comparatively, our pre-cured chambers are operating at a higher utilisation rate of approximately 70% while our hot cure presses are operating at a utilisation rate of approximately 15% only for FYE 2015 and FPE 2016. This is because the cold cure tyre retreading is the most commonly used method today and in most cases, preferred by our customers. For FYE 2015 and FPE 2016, approximately 73% and 76% of our retreaded tyres respectively were produced using the cold cure tyre retreading method.

7. BUSINESS OVERVIEW (cont'd)

7.5 Market access

We market and distribute two (2) categories of products, namely:-

- tyre retreading materials which cater mainly to the tyre retreading industry, and
- retreaded tyres which cater mainly to the transportation and logistics industries.

Currently, only our tyre retreading materials are exported. For the past three (3) FYEs 2013, 2014 and 2015, our export sales contributed 40%, 50% and 55% to our revenue respectively. For FPE 2016, our export sales contributed 57% to our total revenue, with exports to 23 countries globally comprising:-

Principal markets	FYE 2013		FYE 2014		FYE 2015		FPE 2016	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<u>Local sales</u>								
Malaysia	48,149	59.6	40,988	50.4	34,067	45.2	23,612	42.9
<u>Export sales</u>								
Asia (excluding Malaysia)	27,259	33.7	34,349	42.2	32,667	43.4	24,910	45.2
Australia and Oceania	799	1.0	720	0.9	1,109	1.5	1,006	1.8
Africa	1,430	1.8	1,130	1.4	1,541	2.0	874	1.6
America	211	0.2	646	0.8	1,813	2.4	804	1.5
Europe	947	1.2	2,317	2.8	1,350	1.8	1,219	2.2
Middle East	2,021	2.5	1,237	1.5	2,750	3.7	2,641	4.8
	32,667	40.4	40,399	49.6	41,230	54.8	31,454	57.1
Total revenue	80,816	100.0	81,387	100.0	75,297	100.0	55,066	100.0

7.6 Quality management system

Our adherence to stringent quality standards and commitment to product quality have been reinforced through the possession of ISO 9001 certifications from accredited governing bodies. The internal quality management assurance policies set forth by our Group ensure that products and services are of quality and meet the specifications and requirements of our customers. We are of the opinion that the essential attribute in retaining existing customers and attracting new ones in local and international markets, as well as maintaining our market presence, lies in our quality consistency and service excellence.

Hence, we put a lot of efforts in ensuring that our products are of high quality and most importantly, safe to use. To achieve this, we have adopted an effective QMS, where we conduct comprehensive quality inspections at various stages of the manufacturing process to facilitate corrective actions in order to eradicate any causes of deviation at their sources.

Our QMS covers all activities from sourcing quality raw materials, product development and customisation to manufacturing process. We have also equipped ourselves with the necessary inspection equipment in our laboratory to ensure that our products consistently meet our own quality standards, as well as the requirements and specifications set by our customers.

We conduct quality testing on the raw materials received from our suppliers to ensure that the raw materials meet our manufacturing specifications and requirements. We only procure and use approved raw materials in our manufacturing. We also conduct laboratory testing on our masterbatch, rubber compounds and the finished products such as pre-cured tread liners, camelbacks, sidewall veneers and orbitreads derived from them. The finished products are QC tested for viscosity, gravity, rheumatic, hardness, tensile strength and abrasiveness. Our laboratory staff will collect and send a batch sample of the test subject to the laboratory for testing. All batch sample test results will be properly recorded for manufacturing tracking. Any product defect detected in the laboratory testing will be rectified immediately to avoid any disruption in our operations.

7. BUSINESS OVERVIEW (cont'd)

As at the LPD, we have obtained the certifications of MS 1208:2010 for our pre-cured tread liners, MS 1097:2010 for our camelbacks and MS 1348:2010 for our cushion gums from SIRIM QAS.

As for our tyre retreading operations, we visually inspect and test all retreaded tyres produced by us before being packed and shipped to our customers. Olympic also invested in a German-made shearography tyre scanning and testing system to check the conditions of the used tyre casings, paying attention to tyre surface conditions as well as internal damages in the tyre casings, which cannot be easily detected through visual inspection. Olympic's facility is also equipped with an overhead monorail system, which is used to transport the tyres from one process to another on the production floor. This improves work efficiency, flexibility and the effective use of our manufacturing floor space, as well as to reduce contamination and improve cleanliness in the workplace.

Olympic is certified by SIRIM QAS under the product certification scheme for MS 224:2005, which implies that retreaded tyres manufactured by Olympic are safe for use in commercial vehicles in Malaysia; and ISO 9001:2015 from BM TRADA Certification Ltd, United Kingdom in recognition of our QMS for the provision of retreaded tyres. Furthermore, Olympic's manufacturing lines and processes are subjected to an annual surveillance audit by SIRIM, in which SIRIM will randomly select and test our retreaded tyres to ensure the tyres comply with the SIRIM MS 224:2005 standards.

The certifications and recognition of our QMS and product quality are as follows:-

Company	Issuance body	Type of certifications	Date of expiry
Rubber Works	SIRIM QAS	ISO 9001:2008 Quality Management System (Scope of certification: Manufacturing of rubber compounds for retreading tyre industry) ⁽¹⁾	10.04.2018
Rubber Works	SIRIM QAS	Product certification license to use the certification mark on cushion gum used in precured retreading of tyres as complying with MS 1348:2010	13.11.2017
Rubber Works	SIRIM QAS	Product certification license to use the certificate mark on precured tread for retreading tyres as complying with MS 1208:2010	29.04.2017 ⁽²⁾
Rubber Works	SIRIM QAS	Product certification license to use the certification mark on rubber tread compound for hot retreading of passenger car and commercial vehicle tyres as complying with MS 1097:2010	09.12.2017
Olympic	SIRIM QAS	Product certification license to use the certification mark on retreaded hot-cured pneumatic rubber tyre for commercial vehicles as complying with MS 224:2005 ⁽³⁾	21.11.2017
Olympic	SIRIM QAS	Product certification license to use the certification mark on retreaded pre-cured pneumatic rubber tyre for commercial vehicles as complying with MS 224:2005 ⁽³⁾	21.11.2017
Olympic	BM TRADA Certification Ltd	ISO 9001:2015 Quality Management System (Scope of certification: Provision of rubber tyre retreads)	29.04.2019

7. BUSINESS OVERVIEW (cont'd)

Notes:-

- (1) An application for ISO 9001:2015 Quality Management System (Scope of certification: Manufacturing of rubber compounds for retreading tyre industry) has been submitted, pending approval.
- (2) Renewal application for the certification has been submitted, pending approval.
- (3) Olympic (provider of our Group's tyre retreading operations) provides a defects claim policy to its customers for a specified period of up to 18 months, of which historically, such claims made by its customers over the period under review has not been material.

7.7 Technology and product development

7.7.1 Technology

Our technical strength lies in our experience, technical know-how and capability to formulate rubber compounds used in the manufacturing of tyre retreading materials, which are in turn used to manufacture retreaded tyres that meet our customers' tyre requirements and specifications.

The rubber compounds manufactured by us are formulated in-house. We have many years of data, collected from our customers and downstream operations, in formulating a variety of rubber compounds to produce quality retreaded tyres. The formulation of rubber compounds coupled with the appropriate manufacturing processes will determine the characteristics of the individual rubber compounds, whether it is to optimise the tyre performance, to maximise tyre traction in both wet and dry road conditions or to achieve lower rolling resistance (*indirectly saving fuel cost*).

Our rubber compounds are not limited to manufacturing of retreaded tyres; but can also be used in the manufacturing of other rubber-based products for other industries (see Section 7.3.3 above).

7.7.2 Product development

As set out in Section 9.8 of this Prospectus, as at the LPD, we have a team of seven (7) personnel dedicated to our product development and QC activities.

Our product development and customisation activities are primarily focused on the following activities:-

- the formulation and development of new and improved rubber compounds to be used in the manufacturing of tyre retreading materials;
- the development of high performance pre-cured tread liners, which provide better handling and manoeuvrability, enhanced traction while providing a flexible cushion to absorb shocks, good load sensitivity as well as improved lifespan for retreaded tyres;
- constantly developing a wide variety of tyre treads using different rubber compound formulations to achieve different tyre performance characteristics such as tyres that are highly resilient, flexible and durable;
- continuously developing and improving the quality of our products in compliance with the utmost standards; and
- enhancing our manufacturing efficiency by reducing manufacturing time and resources used.

We have spent many years of product development and customisation to create and improve our proprietary formulation for quality rubber compounds used in the manufacturing of our tyre retreading materials. Our unique formulations allow us to improve tyre performance properties by achieving good tyre balance, wet and dry traction, force variation, load sensitivity, rolling resistance, torque alignment, stopping distance and tread wear of the retreaded tyres to suit various road conditions, weather and workloads.

7. BUSINESS OVERVIEW (cont'd)

Some examples of our product development and customisation achievements for the past two (2) years are as follows:-

Year	Achievements
2015	<ul style="list-style-type: none"> Successfully developed and formulated new rubber compounds used for our new tyre retreading materials for the European markets, which for example, enables production of pre-cured tread liners that achieve better traction quality on roads in winter conditions.
2016	<ul style="list-style-type: none"> Successfully developed and formulated new rubber compounds to manufacture orbitreads used in the manufacturing of specialised OTR tyres, for mining applications which require strong wear resistance and handling grip when operating under harsh conditions. Successfully developed a new formulation of rubber compounds which enables our Group to offer its new enhanced performance tyre tread for the Japanese market. Developed our Group's new tread pattern offering customised for the road and weather conditions in the American market.

7.8 Marketing activities

As at the LPD, we have a sales and marketing division with a total of twelve (12) sales and marketing personnel (*including our Chief Executive Officer / Executive Director and four (4) of our senior managers*). Our sales and marketing division is primarily responsible for promoting and marketing our products and services as well as maintaining and building good relationships with our existing customers, in addition to securing new customers for our Group.

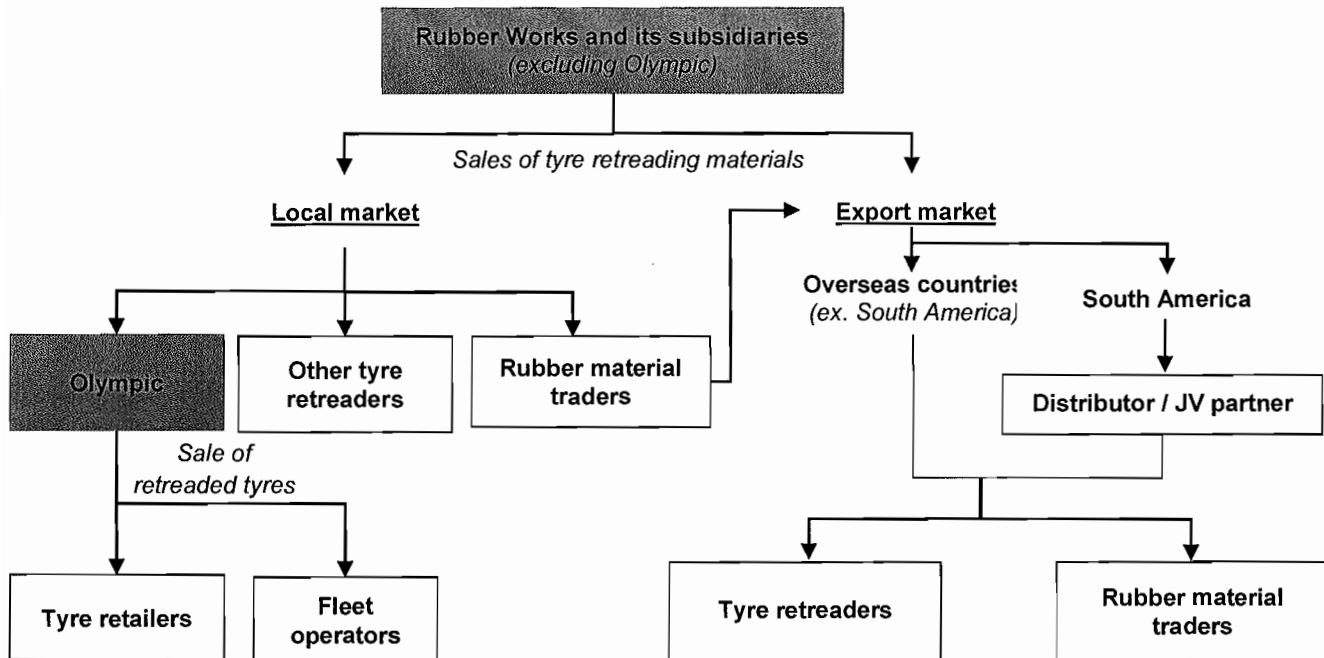
Our primary sales and marketing efforts are through active participation in overseas trade fairs and exhibitions to promote our tyre retreading materials to prospective customers globally. Such participation is significant as our Group is then able to demonstrate and present our full range of products to the attendees effectively via direct face-to-face communication. The list of recent international trade fairs and exhibitions participated by us are as follows:-

Year	Events	Venue
2015	Autopromotec 2015 – an international biennial exhibition of automotive equipment and aftermarket products	Italy
2015	Singapore Tyre Expo 2015	Singapore
2015	REIFEN China 2015	PRC
2016	North American Tire & Retread Expo 2016	US
2016	REIFEN Essen 2016	Germany

The international trade fairs and exhibitions that we participated in are showcased to a global audience for the tyre and automotive equipment industries. Through this participation, we can obtain invaluable knowledge on technology innovations, developments and trends of the industry, as well as gain access to potential customers from all over the world to demonstrate our products and services.

We also market and promote our Group's products and services through multiple media advertising including brochures, catalogues and advertisements in local and international tyre magazines, such as Tyre and Accessories, Retreading Business, The Tyreman and Trucks and Buses. Our Group's profile and portfolio of products are listed on Malaysia External Trade Development Corporation's website (MATRADE). We are also members of Malaysian Rubber Export Promotion Council (MREPC), Federation of Malaysian Manufacturers (FMM), Malaysian Rubber Products Manufacturers Association (MRPMA) and Tyre Retreads Manufacturers Association of Malaysia (TRMAM). Being a member of these organisations and associations enables us to receive updates and information about the industry, broaden our business networks, as well as enhance our skills in the industry.

7. BUSINESS OVERVIEW (cont'd)

Distribution channels**Tyre retreading materials**

The marketing and distribution of our tyre retreading materials is carried out by Rubber Works and its subsidiaries (excluding Olympic). Our tyre retreading materials are mainly sold to tyre retreaders and rubber material traders, both locally and internationally. We market and distribute our tyre retreading materials to our customers directly, except for Japanese and South American customers.

In general, Japanese customers prefer to use liaison agents to search, identify and secure supplier contracts outside of Japan. Currently, we work with Toyo Trading Co., Ltd to secure new Japanese customers. Only after we have successfully secured the new Japanese customers, we will deal directly with the same Japanese customers for subsequent sales orders. As for Toyo Trading Co., Ltd, we will pay them commission fees on every sales invoiced from their introduced Japanese customers. There are no existing written arrangements with them. Nevertheless, we have established a good working relationship with Toyo Trading Co., Ltd since 2007 and believe this will continue to grow. In the event Toyo Trading Co., Ltd ceases to be our liaison agent, we do not expect a material impact to our Group as we may source for other agents. For FYE 2015 and FPE 2016, our sales to Japan contributed approximately 13% and 19% respectively to our Group's total revenue.

Towards the end of 2016, we have entered into a distribution agreement appointing a customer in South America (a trader of tyre retreading materials) as our distributor to promote and market our tyre retreading materials for the South American market. We believe our relationship with the said distributor will enable us to penetrate further into the South American market, where we will be able to supply our tyre retreading materials by tapping onto their distribution network. This will be further strengthened upon finalisation of a separate JV arrangement with them to establish a tyre retreading plant in South America. The JV arrangement will be such that our Group will supply tyre retreading materials such as pre-cured tread liners and cushion gums for the tyre retreading plant in South America whilst the JV entity to be incorporated shall market and distribute the retreaded tyres.

7. BUSINESS OVERVIEW (cont'd)**Retreaded tyres**

The wholesale distribution of our retreaded tyres is carried out by Olympic. Retreaded tyres are mainly used by commercial vehicles such as buses and small to large transportation trucks. Our customers are mainly tyre retailers and fleet operators (*i.e. transportation and logistics companies*). We distribute our retreaded tyres mostly to our customers in the northern region of Peninsular Malaysia, such as Perlis, Kedah, Penang, Perak and Kelantan. As at the LPD, Olympic has a total of nine (9) transportation trucks used in the collection and delivery of retreaded tyres to our customers in the northern region of Peninsular Malaysia. For other locations outside of our coverage, either external transportation companies are appointed or our customers will have to make their own transportation arrangements. As set out above, we are finalising details of a JV arrangement with our business partner to establish a tyre retreading plant in South America.

7.9 Seasonality

Generally, our sales for the first (1st) half of the year will be slower as compared to the second (2nd) half of the year. This is attributable to the festive seasons and public holidays in both Malaysia and PRC such as Labour Day and Chinese New Year as well as the Ramadhan fasting month. We generally see our sales picking up in the second (2nd) half of the year. Save for the above, our Group does not experience any other material seasonality / cyclical effects in sales.

7.10 Major customers

Our Group is not overly dependent on any single customer. None of our customers contributed to more than 10% of our total revenue for the past three (3) FYEs 2013, 2014 and 2015 while for FPE 2016, there is only one (1) customer which contributed to more than 10% of our total revenue as follows:-

Major customer	Country	Approximate length of relationship (Years)	Value of revenue							
			FYE 2013		FYE 2014		FYE 2015		FPE 2016	
			RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾
Kohshin Retread Co., Ltd	Japan	3	2,021	2.5	7,696	9.5	7,287	9.7	9,346	17.0

Note:-

(1) As a percentage of total revenue for the respective year / period.

Furthermore, we do not enter into any supply contracts with our customers and all sales are conducted on purchase order basis, which is a norm in the industry.

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7. BUSINESS OVERVIEW *(cont'd)*

7.11 Availability of resources and major suppliers

7.11.1 Raw materials

Set out below is a breakdown of the main raw materials procured by our Group for FYE 2015 and FPE 2016, together with their respective sources of supply:-

Type of raw materials	Country of origin	FYE 2015			FPE 2016		
		As a percentage of total purchases (%)	Local (%)	Overseas (%)	As a percentage of total purchases (%)	Local (%)	Overseas (%)
Natural rubber and synthetic rubber	Malaysia, other countries within Asia Pacific and America region	51.3	80.3	19.7	49.6	92.7	7.3
Carbon black	Malaysia and PRC	21.5	44.0	56.0	19.8	43.2	56.8
Chemicals and rubber processing oils	Malaysia	18.6	100.0	-	22.0	100.0	-
Used tyre casings	Malaysia and other countries within Asia Pacific region	2.6	53.0	47.0	2.5	75.1	24.9
		94.0			93.9		
Others		6.0			6.1		
Total		100.0			100.0		

Purchases of our main raw materials for FYE 2015 and FPE 2016 accounted for approximately 94% of our total purchases of RM40.9 million and RM30.4 million respectively.

The main raw materials used in the manufacturing of our masterbatch and other tyre retreading materials are mainly natural rubber, synthetic rubber, carbon black, chemicals and rubber processing oils.

On the other hand, Olympic acquires mainly used tyre casings from external parties, such as tyre traders, tyre retailers and our customers (*mainly fleet operators*). Almost all the tyre retreading materials such as pre-cured tread liners, camelbacks and cushion gums used in our tyre retreading operations are sourced internally from Rubber Works and its subsidiaries (*excluding Olympic*). By sourcing tyre retreading materials internally, we have better control on our product quality as well as production cost.

Most of the main raw materials used in our manufacturing processes are sourced from local suppliers. Those which are imported from overseas include synthetic rubber, carbon black and used tyre casings. They can also be easily sourced from local distributors who import them from overseas.

7. BUSINESS OVERVIEW *(cont'd)*

Currently, we source our natural rubber from a single supplier, namely Lee Rubber. As such, we rely on Lee Rubber for a consistent supply of quality natural rubber for our manufacturing of tyre retreading materials. The write up on this risk and its mitigating factors is set out in Section 5.2.1 of this Prospectus. Apart from the supply of natural rubber, we have a diversified source of suppliers for our other main raw materials so as to minimise our dependence on any single supplier.

In addition, as all our main raw materials are easily available both locally and globally, we do not foresee any major supply problems that would adversely affect our manufacturing operations.

Over the years, we have built strong working relationships with many of our suppliers as we have established good track records for our purchases and payment obligations. This provides us access to a regular supply of raw materials.

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7. BUSINESS OVERVIEW (cont'd)**7.11.2 Major suppliers**

Our major suppliers, which have contributed more than 10% to our Group's total purchases, for at least one (1) of the past three (3) FYEs 2013, 2014 and 2015 or FPE 2016, are as follows:-

Major suppliers	Country	Types of raw materials supplied	Approximate length of relationship (Years)	Value of purchases							
				FYE 2013 RM'000	% ⁽¹⁾	FYE 2014 RM'000	% ⁽¹⁾	FYE 2015 RM'000	% ⁽¹⁾	FPE 2016 RM'000	% ⁽¹⁾
Lee Rubber	Malaysia	Natural rubber	26	16,573	33.1	15,773	32.4	11,314	27.7	8,778	28.9
Behn Meyer Chemicals (M) Sdn Bhd	Malaysia	Synthetic rubber and chemicals	10	1,796	3.6	2,634	5.4	2,952	7.2	3,632	12.0
Jinneng Science and Technology Co., Ltd / Hong Kong Jinneng Co., Limited	PRC / Hong Kong	Carbon black	8	5,423	10.8	5,166	10.6	4,490	11.0	3,163	10.4
Luxchem Trading Sdn Bhd	Malaysia	Synthetic rubber and chemicals	22	5,816	11.6	2,554	5.2	2,568	6.3	1,763	5.8

Note:-
(1)

As a percentage of total purchases for the respective year / period.

See Section 5.1.1 of this Prospectus for further discussion on our reliance on major suppliers.

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7. BUSINESS OVERVIEW (cont'd)

7.12 Approvals, major licenses and permits

Details of the approvals, major licences and permits obtained by our Group for our business operations and the status of compliance are set out below:-

Company	Approving authority / issuer	Type of approvals / licenses / permits	License / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Rubber Works	MITI	Manufacturing license (for Lot 82 and 93, Tasek Industrial Estate, Ipoh)	A001850	17.04.2014 / Valid until and unless revoked	For any disposal of shares in the company, the MITI and MIDA have to be notified	Complied
Rubber Works	MITI	Manufacturing license (for Lot 90, Tasek Industrial Estate, Ipoh)	A019862	07.11.2014 / Valid until and unless revoked	For any disposal of shares in the company, the MITI and MIDA have to be notified	Complied
Rubber Works	Malaysian Rubber Board	Rubber license (for Lot 93, Tasek Industrial Estate, Ipoh)	A/03/14079	23.09.2016 / 23.09.2016 to 22.09.2017	Nil	N/A
Rubber Works	Malaysian Rubber Board	Rubber license (for Lot 82, Tasek Industrial Estate, Ipoh)	A/03/14081	23.09.2016 / 23.09.2016 to 22.09.2017	Nil	N/A
Rubber Works	Malaysian Rubber Board	Rubber license (for Lot 90, Tasek Industrial Estate, Ipoh)	A/03/15718	27.07.2016 / 27.07.2016 to 26.07.2017	Nil	N/A
Eversafe Shanghai	Shanghai Administration for Industry and Commerce of PRC, Pudong New Area Branch	Business license	91310115717858151Q	02.09.2005 / Valid until 01.09.2035	Nil	N/A



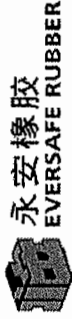


7. BUSINESS OVERVIEW (cont'd)

Company	Approving authority / issuer	Type of approvals / licenses / permits	License / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Jiaxing	Administration for Industry and Commerce, Jiaxing Branch	Business license	91330400661714879N	24.05.2007 / Valid until 23.05.2037	Nil	N/A
Olympic	MITI	Manufacturing license	A004083	13.01.1986 / Valid until and unless revoked	(i) All shares in the company must be held by Malaysians (ii) Should the company be allowed to be a public listed company, all its revaluation of properties, goodwill, share capital, policies as to issuance of shares will require approval from the relevant authority	Complied
Olympic	Malaysian Rubber Board	Rubber license (for No. 6424, Jalan Permatang Pauh, Mak Mandin Industrial Estate, 13400 Butterworth, Penang)	P/01/15451	05.05.2016 / 05.05.2016 to 04.05.2017 (an application for renewal will be submitted prior to the expiry date)	Nil	N/A
					(iii) Composition of board of directors should reflect the company's equity structure in general and MITI must be notified of any changes to the board of directors	



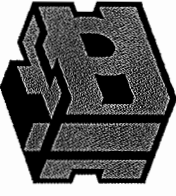

7. BUSINESS OVERVIEW (cont'd)

7.13 Brand names, trademarks, patents, license agreements and other IPRs

Save as disclosed below, our Group does not have any other brand names, trademarks, patents, license agreements and other IPRs:-

No.	Certificate issuance date	Trademark	Name of applicant	Issuing authority	Registration no. / Class	Status / Validity
1.	28.02.2008		Rubber Works	Intellectual Property Corporation of Malaysia	05006150 / 17	Registered / Valid until 22.04.2025
2.	30.07.2013		Rubber Works	Intellectual Property Corporation of Malaysia	05006151 / 17	Registered / Valid until 22.04.2025
3.	10.05.2010		Rubber Works	Intellectual Property Corporation of Malaysia	08015628 / 16	Registered / Valid until 07.08.2018
4.	13.05.2010		Rubber Works	Intellectual Property Corporation of Malaysia	08015629 / 17	Registered / Valid until 07.08.2018
5.	10.01.2011		Olympic	Intellectual Property Corporation of Malaysia	08002254 / 12	Registered / Valid until 05.02.2018

7. BUSINESS OVERVIEW (cont'd)

No.	Certificate issuance date	Trademark	Name of applicant	Issuing authority	Registration no. / Class	Status / Validity
6.	02.12.2010		Olympic	Intellectual Property Corporation of Malaysia	08002253 / 37	Registered / Valid until 05.02.2018
7.	22.09.2011		Olympic	Intellectual Property Corporation of Malaysia	2010051128 / 37	Registered / Valid until 22.12.2020
8.	14.05.2012		Supreme Good	Trademark Office of the State Administration for Industry and Commerce of PRC	7527422 / 12	Registered / Valid until 13.05.2022
9.	14.03.2012		Supreme Good	Trademark Office of the State Administration for Industry and Commerce of PRC	9173024 / 12	Registered / Valid until 13.03.2022

7. BUSINESS OVERVIEW *(cont'd)*

7.14 Interruptions to the business for the past twelve (12) months

We have not experienced any interruptions to our business having a significant effect on our Group's operations for the past twelve (12) months prior to the LPD.

7.15 Dependency on contracts, agreements, documents or other arrangements

As at the LPD, our Group is not highly dependent on any material contracts, agreements, documents or other arrangements including patents or licenses, industrial, commercial or financial contracts which are material to our Group's business or profitability.

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7. BUSINESS OVERVIEW (cont'd)**7.16 Material properties, plant, machinery and equipment****7.16.1 Material properties owned by our Group**

The material properties owned by our Group are as follows:-

No.	Location / Postal address	Registered / Beneficial owner	Description / Existing use	Express conditions of land use / Category of land use	Encumbrances	Land area / Built-up area (approximately)	Tenure	Date of issuance of certificate	NBV as at 30.09.2016 (RM)
1.	Lot 69531, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak (also referred as Lot 82, Tasek Industrial Estate, Ipoh)	Rubber Works	A unit of detached single storey factory building / Manufacturing facility	Industrial / Industrial	Charged to Public Bank Berhad	43,751 sq. ft. / 40,146 sq. ft.	99-year leasehold, expiring on 31 October 2075	#	930,457
2.	Lot 70070, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak (also referred as Lot 90, Tasek Industrial Estate, Ipoh)	Rubber Works	Two (2) units of detached single storey factory building / Manufacturing facility and warehouse	Industrial / Industrial	Nil	102,511 sq. ft. / 38,508 sq. ft.	99-year leasehold, expiring on 1 September 2075	CCC: 09.07.2015	7,807,284*
3.	Lot 70074, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak (also referred as Lot 93, Tasek Industrial Estate, Ipoh)	Eversafe Trading	A unit of detached double storey factory building with a unit of single storey warehouse and laboratory / Manufacturing facility and warehouse	Industrial / Industrial	Charged to OCBC Bank (Malaysia) Berhad	41,790 sq. ft. / 33,782 sq. ft.	99-year leasehold, expiring on 30 June 2076	#	1,948,791

7. BUSINESS OVERVIEW (cont'd)

No.	Location / Postal address	Registered / Beneficial owner	Description / Existing use	Express conditions of land use / Category of land use	Encumbrances	Land area / Built-up area (approximately)	Tenure	Date of issuance of certificate	NBV as at 30.09.2016 (RM)
4.	Lot 76187, Kawasan Perindustrian Tasek, Mukim Hulu Kinta, Perak (also referred as Lot 94, Tasek Industrial Estate, Ipoh)	Rubber Works	A unit of detached single storey warehouse with an annexing double storey office lots / Head / Management office and warehouse	Industrial / Industrial	Charged to OCBC Bank (Malaysia) Berhad	41,968 sq. ft. / 23,513 sq. ft.	99-year leasehold, expiring on 17 March 2079	#	1,407,401

Notes:-

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.

* This excludes the NBV as at 30 September 2016 for electrical works of RM1.22 million and fire protection system of RM0.35 million, which are capitalised as separate assets in our combined statement of financial position.

All properties owned by our Group above have not breached any of the land use conditions / permissible land use; and where buildings are involved, we are in compliance with applicable laws, rules and building regulations.

There are plants and machineries, or temporary structures (which are removable or demolishable without materially affecting the operations of our Group) within the boundaries of the abovesaid properties. We have consulted and obtained confirmation from the architect that these are not permanent structures and therefore, are not reflected in the approved building plans and they do not require approval from the authority.

We have not in the past encountered any occasion of non-renewal of manufacturing licenses in relation to the premises (details of manufacturing licenses are set out in Section 7.12 above). In addition, all our properties are adequately insured and are in compliance with the relevant fire safety requirements. The Perak Fire and Rescue Department conducts periodic site visits to our factories and we have complied with all their directives to date. In this regards, the Perak Fire and Rescue Department has informed us that Lots 82, 93 and 94 adhere to fire safety requirements (vide its letter dated 13 January 2016) and has informed vide its letter dated 29 November 2016 that Lot 90 does not require a fire certificate as it is not classified as a designated premise under the Fire Services Act 1988.

7. BUSINESS OVERVIEW (cont'd)

7.16.2 Material properties rented by our Group

The material properties rented by our Group are as follows:-

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area	Date of issuance of certificate	Rental per annum
Olympic	Tai Hin ⁽¹⁾	No. 6422 and 6424, Jalan Permatang Pauh, Mak Mandin Industrial Estate, 13400 Butterworth, Penang	No. 6422: A unit of semi-detached double storey office with an annexing single storey factory building / Warehouse No. 6424: A unit of semi-detached single storey office with an annexing single storey factory building / Manufacturing facility	Two (2) years / 01.07.2015 to 30.06.2017	48,000 sq. ft. / 23,300 sq. ft.	Occupation certificate ⁽²⁾ : 04.08.1983 (No. 6422) 20.11.1974 (No. 6424)	RM120,000
Eversafe Shanghai	Shanghai Apollo Building Co., Ltd 上海阿波罗大厦有限公司	Room 308, Building No. 20, 1440 Middle Yanan Road, Shanghai, PRC	A unit of office lot / Administrative office	Two (2) years / 01.09.2016 to 31.08.2018	N/A / 280 sq. ft.	Certificate of property ownership: 27.01.2003	RMB102,000
Jiaxing	Jiaxing Milanna Clothing Co., Ltd 嘉兴米兰娜服饰股份有限公司	No. 581, Xinnong Road, Jiaxing, PRC	A unit of detached double storey factory building with an annexing single storey office / Manufacturing facility and office	Five (5) years / 01.06.2013 to 31.05.2018	151,644 sq. ft. / 26,910 sq. ft.	Certificate of property ownership: 29.03.2011	RMB360,000

Notes:-

- (1) This tenancy is a related party transaction between Olympic and one of our Promoters, Tai Hin. See Section 11.1.2 of this Prospectus for further details on this related party transaction.
- (2) In addition to the occupation certificate issued by Majlis Perbandaran Seberang Perai, Butterworth ("MPSP"), MPSP has informed vide its letter dated 13 November 2014 that it has no objection for us to occupy and operate at both the premises (No. 6422 and 6424).

7. BUSINESS OVERVIEW (cont'd)

There is no breach of any land use conditions / permissible land use and/or non-compliance with any applicable laws, rules and building regulations which may materially affect our Group's operations and utilisation of our assets in respect of the properties rented by our Group above.

Our tyre retreading operations are conducted at No. 6422 and 6424, Jalan Permatang Pauh, Mak Mandin Industrial Estate, 13400 Butterworth, Penang. There are plants and machineries, or temporary structures (*which are removable or demolishable without materially affecting the operations of our Group*) within the boundaries of the abovesaid properties. We have consulted and obtained confirmation from the architect that these plants and machineries, or temporary structures do not require approval from the authority. MPSP had conducted inspections on the premises and have issued a letter of no objection dated 13 November 2014 for Olympic to occupy and operate from the premises.

We have not in the past encountered any occasion of non-renewal of manufacturing licenses in relation to the premises (*details of manufacturing licenses are set out in Section 7.12 above*). In addition, all our properties are adequately insured and are in compliance with the relevant fire safety requirements. The Penang Fire and Rescue Department conducts periodic site visits to our factories and we have complied with all their directives to date. In this regards, the Penang Fire and Rescue Department has issued a supporting letter dated 26 May 2015 indicating that these premises adhere to fire safety requirements.

7.16.3 Material plant, machinery and equipment

Material plant, machinery and equipment used in our operations are manufacturing lines as set out in Section 7.4.2 above. The NBV of these manufacturing lines as at 30 September 2016 are as follows:-

Manufacturing line in Malaysia and PRC	No. of lines	Average age (years)	Average remaining useful life (years)	NBV as at 30.09.2016 (RM'000)
Mixing and kneading lines	3	6	6	4,519
Extrusion lines	5	9	2	299
Calendering lines	3	7	6	201
Pre-cured pressing lines	11	5	7	3,747

Subsequent to 30 September 2016, we have incurred RM4.0 million for new manufacturing lines and automation systems (*see Section 4.7.1 of this Prospectus for further details*).

7.17 Governing laws and regulations

The governing laws, regulations as well as standards applicable to our industries are set out in Sections 6 and 9 of the IMR Report in Section 8 of this Prospectus.

8. INDUSTRY OVERVIEW

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22 FEB 2017

The Board of Directors
Eversafe Rubber Berhad
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

Dear Sirs,

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (“EXECUTIVE SUMMARY”) FOR EVERS SAFE RUBBER BERHAD (“COMPANY”)

This Executive Summary has been prepared for inclusion in the Prospectus pursuant to the initial public offering and the listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

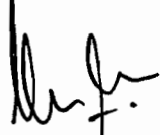
This research is undertaken with the purpose of providing a Strategic and Competitive Analysis of The Rubber Compounding and Tyre Retreading Industries in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

The report contains information supplied by and analysis based on public and private sources. To the extent such sources have been cited herein, we hereby confirm that we are allowed to make reference to such sources. Although we believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information, we have not verified the data for accuracy or completeness, and make no representation with respect to information from any source external to us.

Infobusiness Research & Consulting Sdn Bhd (“Infobusiness Research”) is a company that has been providing market research since 2002. It has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infobusiness Research acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issuance of the Prospectus and before the issuance of securities, then Infobusiness Research has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

for and on behalf of
INFOBUSINESS RESEARCH & CONSULTING SDN BHD



Mark Lee
Director

8. INDUSTRY OVERVIEW (cont'd)

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EXECUTIVE SUMMARY

This executive summary has been prepared to provide an overview of the rubber compounding and tyre retreading industries in Malaysia. Rubber compounding involves the blending of a combination of raw materials so as to meet a given set of performance requirements. The masterbatch (*intermediate raw materials*) used in tyre retreading materials; rubber compounds (*intermediate raw materials*) used in tyre retreading materials; and camelbacks, cushion gums, orbitreads, pre-cured tread liners, repair ropes and sidewall veneers (*final products*) are all collectively known as tyre retreading materials. All tyre retreading materials contain rubber compounds as their core constituents.

1.0 General Economic Overview

The Global Economy

Global growth is expected to expand 3.4% in 2017, mainly attributed to improvements in the US as well as stronger performances in the emerging market and developing economies. The US is anticipated to post a higher growth of 2.2% supported by stronger business investments and a strengthening housing market. Meanwhile, the euro area is expected to register a moderate growth of 1.5%, mainly due to the Brexit uncertainties that may continue to affect business and consumer confidence. Japan's economy is anticipated to expand by 0.6% due to the implementation of fiscal and monetary measures. The PRC is anticipated to register a growth of 6.2%, driven by sustained domestic consumption and continued growth in the services sector, following the government's rebalancing initiatives.

Notwithstanding improvement in global growth, downside risks remain. The possibility of a sharper slowdown in the PRC may affect countries with closer financial, trade and investment links. The Brexit outcomes could be more severe than expected, especially in the euro area, as well as possible spillover effects on the global economy. In addition, other downside risks include volatility in the global financial markets and capital flows, continued low commodity prices, subdued global trade, currency pressures, prolonged low inflation, as well as escalating geopolitical tensions.

8. INDUSTRY OVERVIEW (cont'd)

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Table 1: Global Real Gross Domestic Product (“GDP”), 2013-2017^f

Growth (%)	2013	2014	2015	2016 ^e	2017 ^f
World GDP	3.3	3.4	3.2	3.1	3.4
US	1.5	2.4	2.6	1.6	2.2
Japan	1.4	0	0.5	0.5	0.6
euro area *	-0.3	0.9	2.0	1.7	1.5
PRC	7.7	7.3	6.9	6.6	6.2

Notes:

* = Indicates member countries of the euro area (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia and Spain).

e = estimate

f = forecast

Source: Ministry of Finance and Bank Negara Malaysia

The Malaysian Economy

The Malaysian economy is anticipated to expand between 4.0% and 5.0% in 2017. Value added in the services sector is expected to increase by 5.7% in 2017, driven by expansion across all subsectors. The wholesale and retail trade, as well as food and beverages and accommodation subsectors are expected to grow 6.7% and 6.5%, respectively, supported by strong domestic consumption and tourism-related activities. The information and communication subsector is anticipated to expand by 9.6%, driven by growing adoption of digital services and devices by small and medium enterprises as well as households. Meanwhile, the value-added of real estate and business services subsector is expected to increase by 6.5% in view of increased demand for professional services. The transport and storage subsector is projected to expand further by 5.8%, largely driven by higher passenger volume following the commencement of mass rapid transit services.

The manufacturing sector is anticipated to grow 4.1% in 2017. Growth in export-oriented industries is anticipated to be supported by sustained demand for electrical and electronics goods despite lower production of petroleum-related products. Meanwhile, growth in the consumer and construction-related industries is expected to continue to be supported by favourable domestic demand.

8. INDUSTRY OVERVIEW (cont'd)

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Growth in the agriculture sector is envisaged to turnaround to 1.5% in 2017. The projection is on account of improvements in the output of oil palm and natural rubber, as well as a strong growth in the food commodity subsector. Production of crude palm oil is envisaged to rebound following better yields and expansion in matured areas. Similarly, the output of natural rubber is expected to expand. The output of food commodities is projected to grow further, driven by higher demand from industries and households.

The mining and quarrying sector is expected to expand by 1.4% in 2017 attributed to higher output of natural gas. However, the production of crude oil (including condensates) is expected to decline due to the increasing number of maturing oil fields. Crude oil price is expected to remain low in 2017, amid a global crude oil glut.

The construction sector is projected to grow by 8.3%, mainly supported by the commencement of large infrastructure projects. The residential subsector is projected to expand driven by affordable housing programmes. Meanwhile, the non-residential subsector is expected to benefit from mixed commercial developments.

Table 2: Annual Change in Real GDP by Sector at Constant 2010 Prices, 2013-2017^f

Growth (%)	2013	2014	2015	2016 ^e	2017 ^f
GDP	4.7	6.0	5.0	4.0~4.5	4.0~5.0
Agriculture	1.9	2.1	1.0	-3.3	1.5
Manufacturing	3.4	6.2	4.9	4.0	4.1
Mining and quarrying	1.2	3.3	4.7	1.1	1.4
Construction	10.8	11.8	8.2	8.7	8.3
Services	6.0	6.5	5.1	5.6	5.7

Notes:

e = estimate

f = forecast

Source: Ministry of Finance and Bank Negara Malaysia

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2.0 Introduction to the Rubber Products Industry

There are two (2) main types of rubber, as follows:

- natural rubber which is made from latex sourced from the rubber tree; and
- synthetic rubber which is derived from petrochemical feedstock.

In turn, natural rubber products can be categorised into dry rubber and latex rubber. Dry rubber refers to technically specified rubber or block rubber produced from cup lumps and/or unsmoked rubber sheets. A cup lump is produced when field latex is allowed or made to coagulate in the cup from which it is collected. Technically specified rubber is a raw material used mainly in the manufacturing of tyres for automotive and airplanes.

Latex rubber is derived from field latex which is tapped by farmers from rubber trees and collected. To prevent the field latex from coagulating during transportation to the processing facility, ammonia, among other chemicals, is added to the field latex by the collectors. At the processing facility, the mixture is centrifuged to separate impurities and to obtain a latex concentration containing approximately 60.0% dry rubber content. Ammonia is added again to the extract to prevent it from coagulating before it is packed and prepared for shipment or storage.

Natural rubber has some inherent attributes such as low heat generation, which is suitable for use in the sidewalls of tyres. This excellent resistance to heating makes it better suited for high-performance tyres used in racing cars, trucks and buses, as well as aircraft. Other attributes include good anti-chunking (separation of tread rubber from the tyre casing in particles) and anti-tear properties. In contrast, synthetic rubber has poorer fatigue resistance compared to natural rubber.

The properties of natural rubber such as its high resilience, low heat build-up and outstanding processability make it an ideal material for tyres. Processability includes the ease with which rubber can be mixed, shaped and vulcanised. Worldwide, approximately between 60% and 70% of natural rubber consumption is used in the manufacturing of tyres and inner tubes.

8. INDUSTRY OVERVIEW (cont'd)

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Synthetic rubber is made from the polymerisation of a variety of monomers in the petrochemicals industry. Physically, the polymerisation process converts the monomer, either a liquid or a gas, into a synthetic rubber, plastic or fibre, depending on the chemical nature of the monomer. The operations of the petrochemicals industry involve a huge network of linked and sequential processes. At the beginning of the petrochemical industry value chain, the feedstock comprises crude oil and/or natural gas.

There are over 200 types of synthetic rubber, each having its own constituents and qualities. Due to the inherent performance deficiencies of natural rubber, a wide variety of synthetic rubber has been developed to overcome the former. Some of the principal performance deficiencies of natural rubber are as follows:

- Poor resistance to oil; and
- Poor resistance to oxygen and ozone.

In addition, synthetic rubber has supplanted many of the applications of natural rubber since the properties of natural rubber cannot be modified. An example of this is the partial replacement of natural rubber by synthetic rubber in tyre treads since the latter offers lower rolling resistance, better abrasion resistance and better crack resistance. Tyre treads made of synthetic rubber may last longer than tyre treads made with natural rubber.

The two (2) main synthetic rubbers used in the rubber compounding industry for the tyre retreading market are polybutadiene rubber (“PBR”) and styrene butadiene rubber (“SBR”). The main application of PBR is in making tyres (approximately 70%). Other applications of PBR are in making conveyor belts, driving belts and industrial hoses. Approximately 70% of total SBR produced is used in the manufacturing of tyres and related products. It is widely used in car tyres, where it may be blended with natural rubber. Besides automotive tyres, SBR is also used in conveyor belts, industrial hoses, gaskets and sheeting.

8. INDUSTRY OVERVIEW (cont'd)

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Since synthetic rubber production is derived from petroleum, the price of synthetic rubber is determined largely by the global price of crude oil and natural gas. Fluctuating prices of petroleum have an effect on the prices of synthetic rubber in the market, as the prices are transmitted through the supply chain. The suppliers of synthetic rubber quote prices to customers, usually on each quarter, which in turn, is dependent on market conditions. These prices are not available to the public, as they are confidential and agreed upon between the suppliers and customers.

The table below shows the attributes of synthetic rubber and natural rubber in tyre manufacturing.

Table 3: Attributes of Natural Rubber and Synthetic Rubber in Tyre Manufacturing

Attributes	Advantages	Disadvantages
Natural rubber	<p>Good for anti-chunking (separation of tread rubber from the tyre casing in particles) and anti-tear properties for tyres. This is particularly important in the truck and off-the-road tyre segments.</p> <p>Low heat generation, which is suitable for use in the sidewalls of tyres. This excellent resistance to heating makes it better suited for high-performance tyres used in racing cars, trucks and buses, as well as aircraft.</p> <p>Long fatigue life and high strength even without reinforcing fillers.</p>	Poor oil resistance and its lack of resistance to oxygen and ozone.
Synthetic rubber	<p>Have similar chemical and physical properties to natural rubber but with generally lower rolling resistance, better abrasion resistance and better crack resistance.</p> <p>Very high impermeability to gases and hence, is used for the inner tubes of tyres, and in vacuum and high pressure applications.</p>	<p>Very weak relative to natural rubber, unless reinforcing fillers are incorporated.</p> <p>Has poorer fatigue resistance compared to natural rubber.</p>

Source: Infobusiness Research

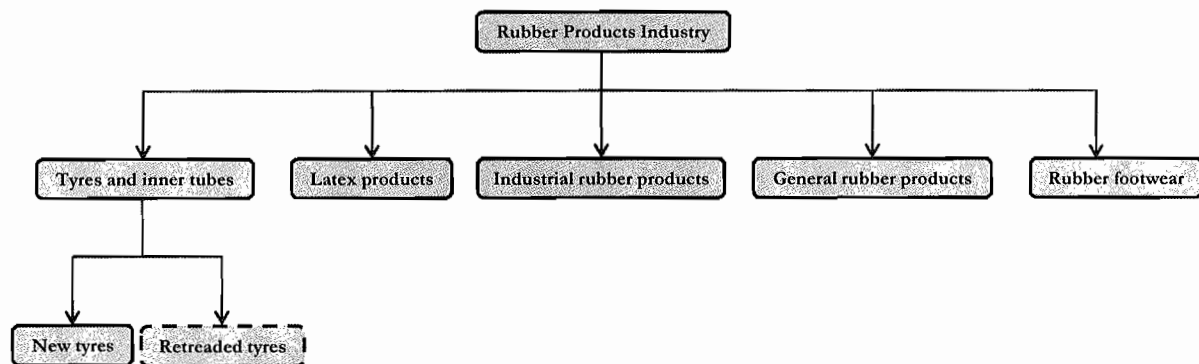
8. INDUSTRY OVERVIEW (cont'd)

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3.0 Segmentation of the Rubber Products Industry

The rubber products industry in Malaysia utilises processes that convert natural rubber and synthetic rubber into finished products for intermediate and final consumption. It can be categorised into tyres and inner tubes, latex products, industrial rubber products, general rubber products and rubber footwear, as illustrated in the figure below.

Figure 1: Segmentation of the Rubber Products Industry in Malaysia



Note:

Eversafe Rubber Group is involved in the manufacturing of retreaded tyres, as indicated by the dotted box.

Source: Infobusiness Research

4.0 Overview of the Rubber Compounding Industry

Similar to making a cake, rubber compounding is the process of adding additives, fillers, polymers, or reinforcements to natural rubber and/or synthetic rubber. It is used to acquire properties by varying the ratios of ingredients and compensating for the chemical reactions, so as to meet a given set of performance requirements. A rubber compound could be a combination of between three (3) and 15 different ingredients, giving rise to hundreds of different compositions. Due to all these combinations, not all rubber compounds are the same.

The specific ingredients chosen for a rubber compound will be driven by the ultimate physical properties of the finished product, the processing characteristics required by the manufacturing process, and the acceptable economics for the finished product. That is why most rubber compounders consider their rubber formulations proprietary.

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The main ingredients used in rubber compounding are as follows:

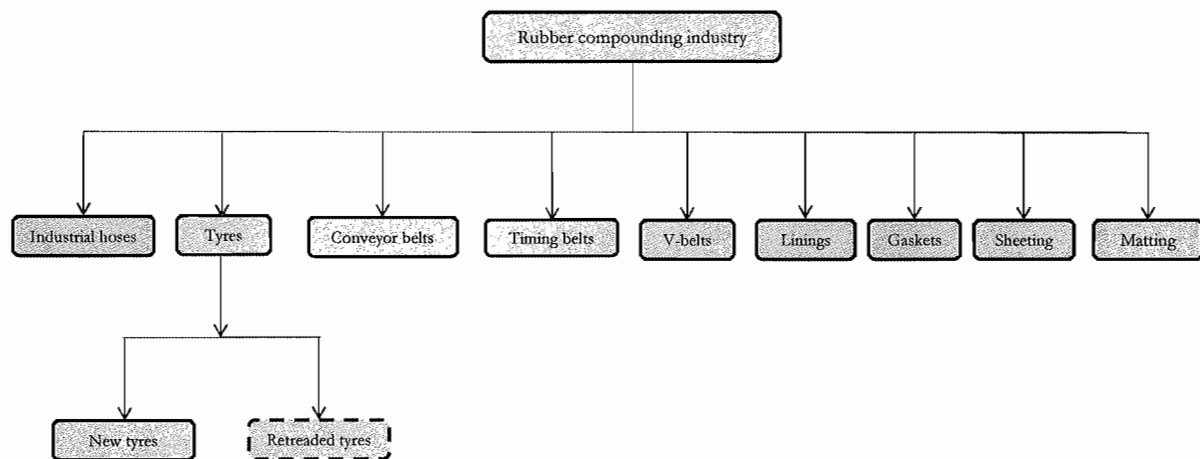
- Natural rubber and/or synthetic rubber are the most important ingredient in a rubber compound, providing the bases for chemical, physical and moulding properties;
- Carbon black is one of the most common fillers used to provide the physical strength and black colour used in rubber compounds used in tyres. As there are various particle sizes, changing the particle size can change the physical properties of rubber compounds;
- White clays and mineral fillers are used for coloured compounds. These fillers are typically less reinforcing than carbon black. The blending of these fillers with carbon black assists to reduce cost of the overall rubber compounds;
- Antioxidants assist to protect the rubber compound from high temperature while in use and while the rubber compound is being mixed. These ingredients can absorb free radicals which may break the rubber bonds as well as reduce the service life of the rubber compounds;
- Antiozonants such as wax are used to coat the surface after moulding to protect the rubber from ozone attacks; and
- Rubber processing oils are used during the mixing of rubber compounds. They also assist to reduce the viscosity of the overall rubber compound, which facilitate the moulding process. Adding more rubber processing oils can also lower the hardness of the rubber compounds.

8. INDUSTRY OVERVIEW (cont'd)

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Rubber compounds are used in a wide range of applications and their main applications are illustrated in the diagram below.

Figure 2: Main Applications of Rubber Compounds



Notes:

Both natural rubber and synthetic rubber are used in rubber compounding.

Eversafe Rubber Group is involved in the rubber compounding industry for the tyre retreading market, as indicated by the dotted box.

Source: Infobusiness Research

Through varying types and percentage of rubber compounds, different tyres for different purposes are produced. Further adding to the complexity, separate rubber compounds are used for different parts of the tyres. Within a tyre, different rubber compounds are used for different functions as follows:

- The external tread rubber compound provides traction and mileage; and
- The rubber compound situated inside the tyres adheres to the belt system and helps provides stability to the tread area.

The right rubber compounds are critical in the manufacturing of retreaded tyres, as they can greatly assist to reduce rolling resistance and enhance durability, thereby potentially increasing the number of times a tyre can be retreaded.

8. INDUSTRY OVERVIEW (cont'd)

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The table below shows the proportions of the various ingredients used in rubber compounding for tyres, in addition to steel. It can be seen that natural rubber is used more in commercial vehicle tyres than passenger car tyres. Conversely, synthetic rubber is utilised more in passenger car tyres than commercial vehicle tyres.

Table 4: Proportion of Ingredients used in Rubber Compounding for Tyres

Ingredients	Passenger car tyre (average weight of 11.4 kilograms)	Commercial vehicle tyre (average weight of 54.6 kilograms)
Natural rubber	14%	27%
Synthetic rubber	27%	14%
Carbon black	28%	28%
Steel	14%-15%	14%-15%
Others (antioxidants, antizonants, rubber processing oils, etc.)	16%-17%	16%-17%
Total	~ 100%	~ 100%

Note:

Although steel is not used in rubber compounding, it is shown to illustrate its relative importance in tyre manufacturing.

Source: Infobusiness Research

Despite the competition from synthetic rubber, natural rubber continues to hold an important place in tyre consumption. In particular, its superior tear strength and excellent resistance to heat build-up, makes it better suited for high-performance tyres used on racing cars, trucks and buses, as well as aircraft. Generally, a blend of natural rubber and synthetic rubber is used in tyre manufacturing. In large truck and off-the-road tyres, which require low heat generation, more natural rubber is used. Generally, the larger the tyre, the greater the percentage of natural rubber used.

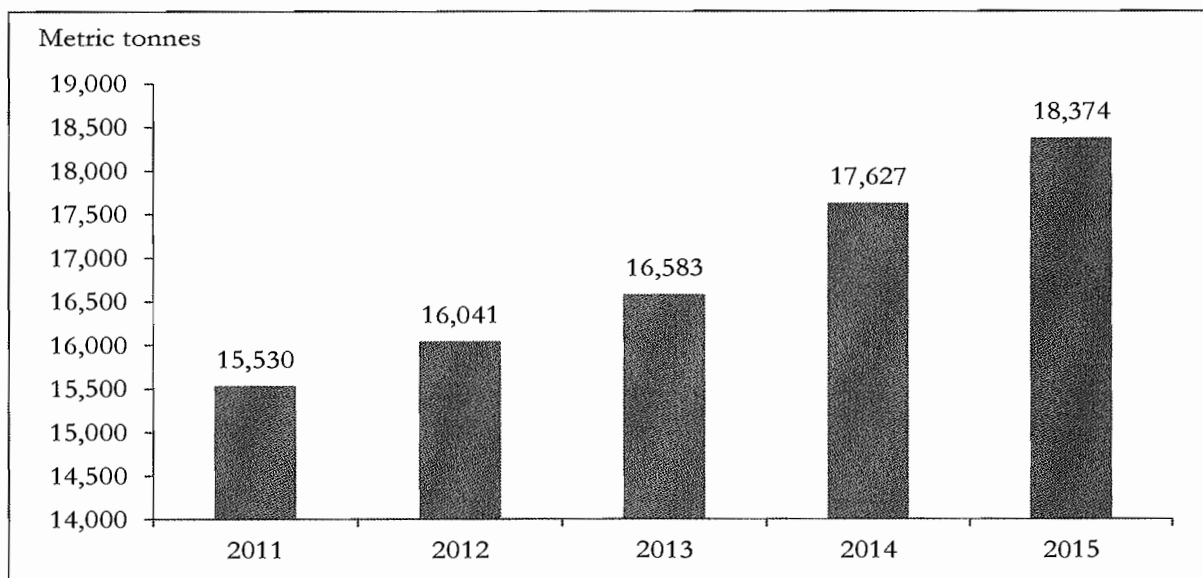
8. INDUSTRY OVERVIEW (cont'd)

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As natural rubber has a longer fatigue life, it is used in combination with SBR and PBR by tyre manufacturers and tyre retreaders to provide the optimum desired properties in tyres. SBR has good traction or grip, as well as good aging stability when protected by additives. PBR exhibits high resilience (the ability to recover size and shape after stress) with low heat build-up and abrasion resistance, making it well suited for tyres.

The consumption of rubber compounds used in tyre retreading increased steadily from 15,530 metric tonnes in Malaysia in 2011 to 18,374 metric tonnes in 2015, yielding a CAGR of 4.3% during the corresponding period. The steady increase in the number of commercial vehicles on the road had contributed towards the consumption of rubber compounds used in tyre retreading in Malaysia.

Figure 3: Consumption of Rubber Compounds used in Tyre Retreading in Malaysia (Metric Tonnes)



Source: Infobusiness Research

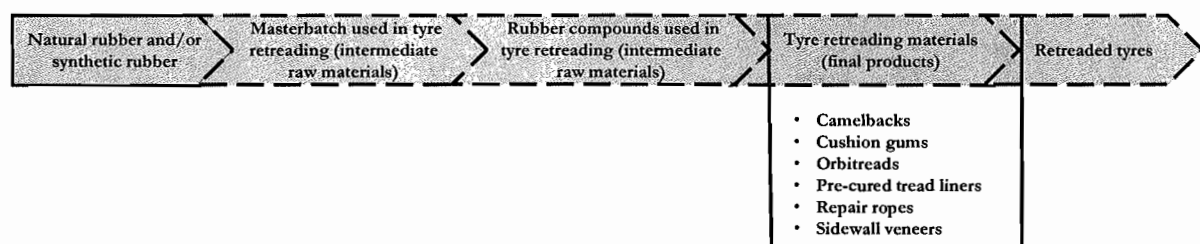
8. INDUSTRY OVERVIEW (cont'd)

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5.0 Overview of the Tyre Retreading Industry

The interconnected activities through which an industry delivers products and/or services can be viewed as a value chain. To understand the tyre retreading industry better, it is necessary to look at its value chain, as illustrated below.

Figure 4: Value Chain of the Tyre Retreading Industry



Notes:

Although both the masterbatch used in tyre retreading and rubber compounds used in tyre retreading are intermediate raw materials, they are also classified as tyre retreading materials.

Eversafe Rubber Group is involved in the activities as indicated by the dotted boxes.

Source: Infobusiness Research

- Natural rubber and/or synthetic rubber: they are derived from rubber trees and petrochemicals, respectively.
- Masterbatch used in tyre retreading materials: it is a form of raw rubber compound used in the manufacturing of tyre retreading materials. It is an essential raw material which is further compounded with chemicals, such as sulphur, accelerators and/or other additives, to form the desired rubber compounds. The usage of masterbatch in rubber compounding can lead to easier processing and better product performance, eg. abrasion resistance in a tyre tread.
- Rubber compounds used in tyre retreading materials: they are a combination of raw materials blended to achieve qualities that are appropriate to the performance requirements of each type of tyres.

8. INDUSTRY OVERVIEW (cont'd)

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- The final products of tyre retreading materials comprise camelbacks, cushion gums, orbitreads, pre-cured tread liners, repair ropes and sidewall veneers.
- Retreaded tyres: they are tyres where a new tread is bonded to a used tyre casing, effectively restoring the tyre to a new condition.

A tyre comprises a tyre casing and a tread. The tyre casing is designed for a specific load capacity and performance level, as well as to endure the stress exerted upon it. However, a tyre casing is not only the foundation of a tyre, but also the foundation of successful tyre retreading. Remanufacturing, including retreading tyres, is an industrial process that restores end-of-life goods to their original working condition.

Retreads for larger tyres such as those used in commercial vehicles are more popular, as the tyre casing is more expensive and it makes more commercial sense to recycle a larger tyre than to scrap it. Virtually all of the world's airlines and off-the-road heavy duty trucks such as those used in the mining industry, use retreaded tyres for economic reasons.

Retreading designates the technical process allowing the life extension of a used tyre. It basically consists of stripping away the remaining tread and sidewall of the used tyre and their replacements. New rubber is then moulded to the used tyre casing. The retreaded tyre is brought back into the same service conditions without sacrificing tyre road performances. This process may be repeated as long as the tyre casing integrity is intact. The production of retreaded tyres is mainly concentrated on commercial, off-the road and aircraft tyres.

Today's technology has given tyre retreading companies the ability to manufacture retreaded tyres equivalent to new tyres. High quality tyre casings for commercial vehicles, combined with proper maintenance, are able to retain their properties well and can be retreaded several times. Long haul commercial tyres are retreaded on an average of two (2) times. Commercial airlines worldwide also use retreaded tyres. In the US alone, nearly 80% of all aircraft tyres are retreaded tyres. This illustrates the reliability and safety of retreaded tyres.

8. INDUSTRY OVERVIEW (cont'd)

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The quality of a retreaded tyre depends on the following conditions:

- The condition of the tyre casing;
- The skills of the workforce;
- The level of retreading technology utilised;
- The rubber compounds used, and
- The raw materials such as additives used.

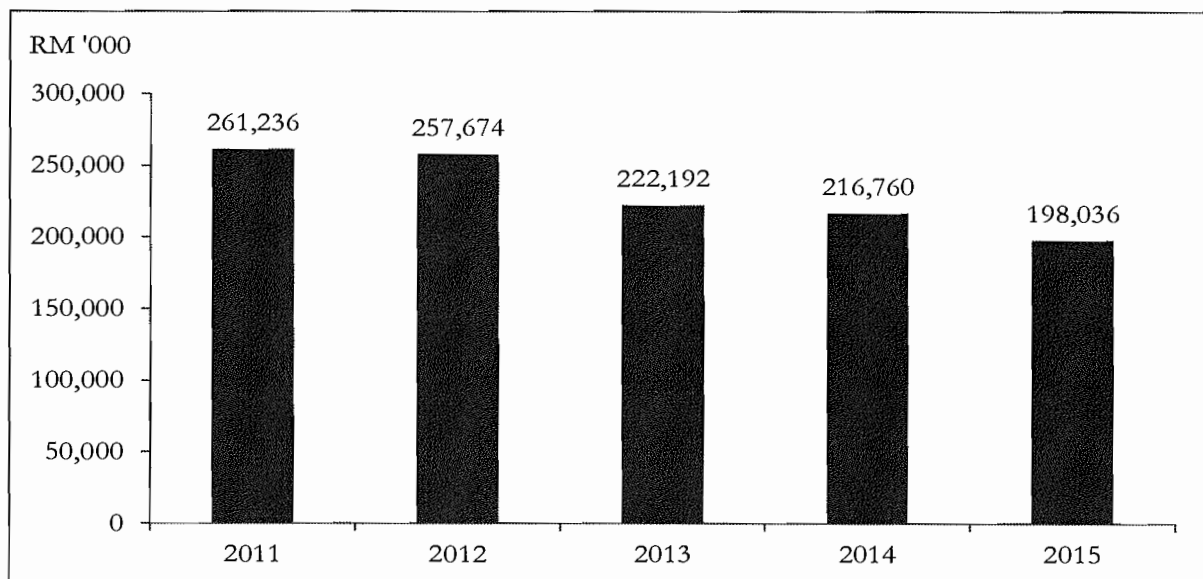
The benefits of retreaded tyres are both economic and environmentally-related, as follows:

- Reduce the consumption of natural rubber and synthetic rubber, as tyre casings from old tyres are reused;
- The cost of a retreaded tyre is up to 50% less than the cost of comparable quality new tyres;
- Assist fleet operators to optimise their overall operation costs by providing them lower tyre cost per kilometre. The business of fleet operators may not be viable without substantially using retreaded tyres. Fleet operators such as logistics companies and public bus companies operate their vehicles on the road for relatively long periods of time, thus reducing the lifespan of the vehicles' tyres through wear and tear, as compared to passenger vehicles. The cost of a retreaded tyre is up to 50% less than the cost of comparable quality new tyres, as the tyre casings are reused. Particularly during periods of economic slowdowns, fleet operators leverage on retreaded tyres to lower operating costs;
- The manufacture of a new medium-sized commercial tyre from synthetic rubber requires approximately 22 gallons of crude oil, but it takes only seven (7) gallons of crude oil to retread, ultimately leading to a lower carbon footprint and conserving valuable finite petroleum resources. Most of the crude oil is used in the tyre casing, which in turn, is reused during the retreading process; and
- It enables the extension of the useful lives of millions of tyres that would otherwise end up in tyre piles or in valuable landfill space.

8. INDUSTRY OVERVIEW (cont'd)**infobusiness**

The ex-factory sales of retreaded tyres in Malaysia declined from RM261.2 million in 2011 to RM198.0 million in 2015, generating a negative CAGR of 6.7%. The decline in the ex-factory sales of retreaded tyres in Malaysia was principally due to the decrease in the prices of natural rubber during the corresponding period of time (please see figure 6). Natural rubber is the principal raw material used in the manufacturing of rubber compounds that are utilised in retreaded tyres in Malaysia. Due to the efficacy of the market, reductions in prices of natural rubber also translated into lower prices of retreaded tyres.

Figure 5: Ex-Factory Sales of Retreaded Tyres in Malaysia (RM '000)



Source: Department of Statistics

6.0 Government Legislations

INDUSTRIAL COORDINATION ACT 1975

The Industrial Coordination Act 1975 was introduced with the aim to maintain an orderly development and growth in the country's manufacturing sector. It requires manufacturing companies with shareholders' funds of RM2.5 million and above, or engaging 75 or more full-time paid employees, to apply for a manufacturing licence for approval by the Ministry of International Trade and Industry.

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Malaysian Rubber Board (Licensing) Regulations 2014

Under the Malaysian Rubber Board (Licensing and Permit) Regulations 2014, any person who wishes to buy and store rubber for the manufacture of rubber products needs to hold a valid licence from the Malaysian Rubber Board. This also encompasses the processing of rubber, which refers to any activity which changes the physical and chemical properties of rubber, such as rubber compounding and vulcanisation.

Factories and Machinery Act 1967

The objective of the Factories and Machinery Act 1967 is to provide for the control of factories on matters relating to the health, safety and welfare of persons, and the registration and inspection of machinery. All factories and general machinery must be registered with the Department of Occupational Safety and Health before they can be installed and operated in Malaysia. Some high risk machinery such as the autoclave which is a form of steam boiler used for vulcanising, must be certified and inspected. Eversafe Rubber Group has such machinery and it has obtained the certificates of fitness for them from the Department of Occupational Safety and Health.

Occupational Safety and Health Act 1994

The Occupational Safety and Health Act 1994 provides the legislative framework to promote, stimulate and encourage high standards of welfare and a safe working culture among employees and employers, through self-regulation schemes designed to suit the particular industry or organisation. Under the Occupational Safety and Health Act 1994, employers must safeguard as far as is practicable, the health, safety and welfare of the people who work for them. This applies in particular to the provision and maintenance of a safe plant and system at work.

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Department of Environment

To promote environmentally sound and sustainable developments, the Malaysian Government (“Government”) has established the legal and institutional framework for environmental protection. In the rubber products industry, including rubber compounding activities, the primary environmental concerns are fugitive emissions, solid wastes, waste water and hazardous wastes. The rubber compounding area, where chemicals are weighed and put into containers prior to mixing, can be a source of fugitive emissions and possibly spills and leaks. Waste water from cooling, heating and cleaning operations is an environmental concern in many facilities. To address the waste water issue, many facilities have implemented water reuse and recycling programs.

Waste rubber from rubber compounding and tyre retreading activities can be classified into three (3) categories as follows:

- uncured rubber waste;
- cured rubber waste; and
- off-specification products.

Uncured rubber waste can be recycled in the factory. Meanwhile, cured rubber waste can either be recycled in-house or sold to other companies that use it to make products such as mud flaps and playground mats. Lastly, off-specification products can be sold to other companies that make products from shredded or scrap rubber or they can be disposed of.

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8. INDUSTRY OVERVIEW (cont'd)

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7.0 Government Policies**Economic Transformation Program (“ETP”)**

The rubber products industry is promoted under the ETP. Under the ETP, the rubber products industry (along with oil palm-based industry) has been identified as one (1) of the twelve national key economic areas (“NKEAs”). A NKEA is defined as a driver of economic activity that has the potential to directly and materially contribute a quantifiable amount of economic growth to the Malaysian economy. Key targets for the rubber industry under the ETP include ensuring availability of domestic supplies to develop higher-valued rubber products. The rubber products industry has a targeted growth rate of at least 6% per annum towards the year 2020.

8.0 Government Incentives

There are many incentives provided to the manufacturing sector by the Government. Under Budget 2015, the Government is committed to provide incentives in the form of a capital allowance of 200% on automation expenditure on the first RM4 million expenditure incurred between the period 2015 and 2017, in the high labour-intensive industries such as rubber products, plastic products, wood-based, furniture and textiles. This is to encourage automation in those industries. Eversafe Rubber Group is not eligible for the incentives, as it is entitled to claim a special reinvestment allowance on qualifying capital expenditure incurred for three (3) years, between year of assessment 2016 and year of assessment 2018.

9.0 Standards

To meet safety standards, tyre retreading should be carried out only by qualified companies, and tyres should be certified to guarantee safety and quality standards. It is important therefore that consumers purchase retreaded tyres from companies that follow the rules for retreading systems, and that they have their tyres certified.

Retreaded tyres are considered safe for use in Malaysia as long as they have adhered to the strict standards as follows. However, compliance with a Malaysian standard does not of itself confers immunity from legal obligations.

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- SIRIM MS 224:2005

SIRIM Berhad is a wholly-owned research and standards development company of the Government. This Malaysian Standard specifies the requirements for the retreading of pneumatic highway tyres, including passenger car tyres and tyres for multi-purpose passenger vehicles, trucks, buses, trailers and other commercial vehicles used on public roads. It covers requirements such as tyre casing inspections, the selection criteria for retreading, processing standards, performance tests, warranties, etc. The processing standards are essential for the proper manufacturing of the retreaded tyres and are those which shall be made applicable in every tyre retreading factory.

Under MS 224:2005, the following must be permanently and legibly marked on the tyre sidewall or shoulder, in letters and numerical not less than four (4) millimetres high, and embossed on the tyre surface with the following information, among others:

- The retreaded tyre manufacturer's name and/or trademark;
- The tyre size designation;
- The marking "retread" is mandatory for all bead-to-bead retreaded tyres (tyre remanufacturing on a tyre casing with worn treads) and optional for other types of retreaded tyres;
- The week and year of the manufacture of retreaded tyres;
- The standard MS 224:2005.

To ensure that the consumer is aware that the retreaded tyres purchased complies with the requirements of MS 224:2005, all retreaded tyres shall carry a product warranty against defects in the workmanship and materials, as well as providing satisfactory services under normal operating conditions.

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- UN/ECE R108 and UN/ECE R109

According to United Nations regulations No. 108 (uniform provisions concerning the approval for the manufacturing of retreaded pneumatic tyres for motor vehicles and their trailers) and No. 109 (uniform provisions concerning the approval for the manufacturing of retreaded pneumatic tyres for commercial vehicles and their trailers); passenger automobile tyres may be retreaded just once, while truck and aircraft tyres, thanks to their stronger structure, may be retreaded more often (in the case of truck tyres typically up to four (4) times, and for aircraft tyres easily up to 10 times), provided that quality standards are satisfied. In addition, the lifetime of an original tyre casing should be taken into account, and must not exceed seven (7) years. This will ensure that the retreaded tyres fulfill similar safety and quality control requirements as new tyres.

10.0 Demand And Supply Conditions (Rubber Compounds)

10.1 Demand Conditions

Business Conditions

In general, an increase in the number of commercial vehicles in use would generate an increase in demand for retreaded tyres, and ultimately, the tonnage of rubber compounds used in tyre retreading. The number of commercial vehicles in use is dependent on factors such as the level of commercial activities, level of industrialisation, population growth, etc. In addition, during periods of economic slowdowns, demand for rubber compounds used in retreaded tyres also increases in general, as fleet operators would prefer to use retreaded tyres. This has an impact on the consumption of rubber compounds used in retreaded tyres.

An Active Tyre Retreading Industry in Malaysia

The tyre retreading industry in Malaysia is an active one, due to demand for retreaded tyres from fleet operators who viewed their usage as an essential cost-cutting tool. The savings generated from fleet operators using retreaded tyres benefit everyone with lower costs. In addition, retreaded tyres provide massive environmental and energy-saving benefits. In turn, this generates demand for rubber compounds.

8. INDUSTRY OVERVIEW (cont'd)

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Consumption of Rubber Compounds used in Tyre Retreading in Selected Countries

Based on the number of commercial vehicles on the road, the consumption of rubber compounds used in tyre retreading in selected countries is shown in the table below. The logistics industry, followed by public buses, are the main users of retreaded tyres, and hence, rubber compounds. The PRC was the biggest consumer of rubber compounds used in tyre retreading, with consumption rising from 245,760 metric tonnes in 2010 to 398,550 metric tonnes in 2014, representing a CAGR of 12.8%. The neighbouring countries such as Thailand and Indonesia recorded consumption of rubber compounds at CAGRs of 5.4% and 4.5%, respectively, between 2010 and 2014.

Table 5: Consumption of Rubber Compounds used in Tyre Retreading in Selected Countries (Metric Tonnes)

Year	PRC	Hong Kong	Thailand	Indonesia	Brazil	Turkey	Taiwan	Japan	Singapore	South Korea
2010	245,760	1,935	87,750	104,070	97,860	55,815	15,345	255,210	2,610	64,650
2011	280,695	1,965	91,920	108,225	107,460	59,235	15,645	252,645	2,655	64,515
2012	327,660	2,010	97,125	112,650	115,575	62,670	15,810	250,575	2,670	64,395
2013	380,100	2,085	102,195	118,485	125,340	65,505	16,050	248,745	2,670	64,845
2014	398,550	2,055	108,360	124,170	135,405	67,725	16,305	247,800	2,685	65,565
CAGR	12.8%	1.5%	5.4%	4.5%	8.5%	5.0%	1.5%	-0.7%	0.7%	0.4%

Note:

Hong Kong is a Special Administrative Region under the PRC.

Source: Infobusiness Research

10.2 Supply Conditions

Availability of labour

The rubber compounding industry is fairly labour-intensive. In addition, it requires the expertise of skilled labour such as polymer chemists with a solid knowledge of rubber compounding formulation and processing knowhow. In particular, the proper blending of natural rubber and synthetic rubber, as each has different properties that affect the performance of the retreaded tyres. This is important during periods of rising natural rubber prices or rising synthetic rubber prices as they are substitutes for each other to a certain extent.