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EVERSAFE RUBBER

EVERSAFE RUBBER BERHAD

(Company no: 1133877 - V)
(Incorporated in Malaysia)

CONSOLIDATED
RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2018

EVERSAFE RUBBER BERHAD (COMPANY NO.: 1133877 - V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018 ⁽¹⁾

	Individual Period (2nd quarter)		Cumulative Period	
	Current Year Quarter 30.06.2018 RM	Preceding Year Corresponding Quarter 30.06.2017 RM	Current Year To-date 30.06.2018 RM	Preceding Year Corresponding Period 30.06.2017 RM
Revenue	27,482,027	20,220,828	53,246,549	38,874,299
Cost of sales	(24,279,616)	(16,973,213)	(46,151,232)	(31,932,374)
Gross profit	3,202,411	3,247,615	7,095,317	6,941,925
Other operating (expenses)/income	(109,085)	(60,573)	256,381	220,431
Distribution costs	(1,747,681)	(1,383,262)	(3,091,827)	(2,633,387)
General and administrative expenses	(1,534,714)	(1,326,064)	(4,035,346)	(2,615,006)
Other - Listing expenses	-	(2,240,503)	-	(2,240,503)
(Loss)/Profit from operations	(189,069)	(1,762,787)	224,525	(326,540)
Finance income	27,070	49,706	54,263	96,666
Finance costs	(248,098)	(207,650)	(480,175)	(405,014)
Loss before tax	(410,097)	(1,920,731)	(201,387)	(634,888)
Taxation	(848)	177,955	(141,543)	(156,164)
Loss for the financial period attributable to owners of the parent	(410,945)	(1,742,776)	(342,930)	(791,052)
Foreign currency translation, net of tax	63,801	(7,071)	32,595	(4,203)
Total comprehensive loss, attributable to owners of the parent	(347,144)	(1,749,847)	(310,335)	(795,255)
Loss per share attributable to owners of the parent:				
Loss for the financial period				
Basic and diluted (sen) ⁽²⁾⁽³⁾	(0.171)	(0.754)	(0.143)	(0.373)

EVERSAFE RUBBER BERHAD (COMPANY NO.: 1133877 - V)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018 (con'd)**

Notes:

- (1) The basis of preparation of the Condensed Consolidated Statement of Profit Or Loss And Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes to this interim financial report.
- (2) Basic earnings per share is calculated based on the Company's weighted average number of ordinary shares for the financial period.
- (3) Diluted earnings per share of the Company is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.

N/A - Not applicable

EVERSAFE RUBBER BERHAD (COMPANY NO.: 1133877 - V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 ⁽¹⁾**

	As at 30.06.2018 RM (Unaudited)	As at 31.12.2017 RM (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	34,985,939	33,550,109
Intangible assets	12,018	21,700
Trade receivable	1,279,733	1,361,273
	36,277,690	34,933,082
Current assets		
Inventories	17,128,018	16,435,356
Trade and other receivables	31,138,735	28,800,982
Current tax assets	209,849	110,895
Cash and bank balances	16,843,761	20,115,662
	65,320,363	65,462,895
TOTAL ASSETS	101,598,053	100,395,977
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	65,428,449	65,428,449
Reserves	1,274,593	2,047,672
TOTAL EQUITY	66,703,042	67,476,121
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	3,785,177	3,785,416
Borrowings	1,376,576	1,708,834
	5,161,753	5,494,250
Current liabilities		
Trade and other payables	7,429,692	6,873,429
Borrowings	22,057,346	20,009,757
Current tax liabilities	246,220	542,420
	29,733,258	27,425,606
TOTAL LIABILITIES	34,895,011	32,919,856
TOTAL EQUITY AND LIABILITIES	101,598,053	100,395,977
Net assets per ordinary share (RM) ⁽²⁾	0.277	0.280

EVERSAFE RUBBER BERHAD (COMPANY NO.: 1133877 - V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 ⁽¹⁾ (con'd)

Notes:

- (1) The basis of preparation of the Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes to this interim financial report.
- (2) Net assets per ordinary share is calculated based on the Company's number of ordinary shares at the end of the reporting period.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018 ⁽¹⁾

	[-----Non-distributable-----]				Distributable	
	Share capital RM	Capital reserve RM	Foreign currency translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2017	48,148,449	7,104	(1,239,158)	(36,914,958)	45,554,001	55,555,438
Issuance of new ordinary shares arising from Initial Public Offering ("IPO")	17,280,000	-	-	-	-	17,280,000
Share issue expenses	-	-	-	-	(666,926)	(666,926)
Loss for the financial period	-	-	-	-	(791,052)	(791,052)
Other comprehensive loss, net of tax	-	-	(4,203)	-	-	(4,203)
Total comprehensive loss	-	-	(4,203)	-	(791,052)	(795,255)
Dividend paid during the year	-	-	-	-	(4,330,688)	(4,330,688)
Balance as at 30 June 2017	65,428,449	7,104	(1,243,361)	(36,914,958)	39,765,335	67,042,569

	[-----Non-distributable-----]				Distributable	
	Share capital RM	Capital reserve RM	Foreign currency translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	Total equity RM
Balance as at 31 December 2017	65,428,449	7,104	(1,252,168)	(36,914,958)	41,131,835	68,400,262
Adjustments from adoption of MFRS 15	-	-	-	-	(924,141)	(924,141)
Opening balance adjustment from adoption of MFRS 9	-	-	-	-	(462,744)	(462,744)
Restated balance as at 1 January 2018	65,428,449	7,104	(1,252,168)	(36,914,958)	39,744,950	67,013,377
Loss for the financial period	-	-	-	-	(342,930)	(342,930)
Other comprehensive income, net of tax	-	-	32,595	-	-	32,595
Total comprehensive loss	-	-	32,595	-	(342,930)	(310,335)
Balance as at 30 June 2018	65,428,449	7,104	(1,219,573)	(36,914,958)	39,402,020	66,703,042

Note:-

(1) The basis of preparation of the Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying notes to this interim financial report.

EVERSAFE RUBBER BERHAD (COMPANY NO.: 1133877 - V)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018 ⁽¹⁾**

	(Unaudited) 6 months ended 30.06.2018 RM	(Unaudited) 6 months ended 30.06.2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		
Continuing operations	(201,387)	(634,888)
Adjustments for:		
Non-cash items/Non-operating items	3,540,320	1,584,609
	<hr/>	<hr/>
Operating profit before working capital changes	3,338,933	949,721
Changes in working capital:		
Increase in inventories	(680,813)	(2,590,455)
(Increase)/Decrease in trade and other receivables	(3,878,057)	961,169
Increase/(Decrease) in trade and other payables	800,291	(1,586,658)
Others	23,540	2,491,128
	<hr/>	<hr/>
Cash (utilised in)/generated from operations	(396,106)	224,905
Tax paid - net	(537,141)	(746,961)
	<hr/>	<hr/>
Net cash used in operating activities	(933,247)	(522,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	54,263	96,666
Proceeds from disposal of property, plant and equipment	69,378	12,470
Purchase of property, plant and equipment	(3,249,053)	(1,339,688)
Net cash used in investing activities	(3,125,412)	(1,230,552)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018 (con'd)**

	(Unaudited) 6 months ended 30.06.2018 RM	(Unaudited) 6 months ended 30.06.2017 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(480,175)	(405,014)
Issuance of ordinary shares	-	17,280,000
Listing and share issue expenses	-	(2,907,429)
Net drawdowns of bank borrowings	1,486,453	4,105,253
Increase in short-term deposits pledged as securities	(53,942)	(76,386)
Net cash from financing activities	952,336	17,996,424
Net (decrease)/increase in cash and cash equivalents	(3,106,323)	16,243,816
Effect of foreign exchange rates changes	(30,859)	81,575
Cash and cash equivalents at the beginning of the financial period	13,617,242	2,710,075
Cash and cash equivalents at the end of the financial period	10,480,060	19,035,466
Cash and cash equivalents comprise:		
Cash and bank balances	16,843,761	31,643,416
Less: Deposits pledged as securities	(3,636,204)	(5,039,452)
Less: Deposits with licensed banks and other financial institutions with maturity of over 3 months	(1,500,000)	(1,500,000)
	11,707,557	25,103,964
Less: Bank overdrafts	(1,227,497)	(6,068,498)
	10,480,060	19,035,466

Note:

(1) The basis of preparation of the Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

A1. BASIS OF PREPARATION

The interim financial report of Eversafe Rubber Berhad (“Eversafe Rubber” or “the Company”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with the requirements of MFRS 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Securities.

A2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2017, except for the adoption of the following MFRS/ Amendments/ Interpretations effective 1 January 2018:

MFRS 9, Financial Instruments

MFRS 15, Revenue from Contracts with Customers

Amendments to MFRS 15, Clarifications to MFRS 15

Amendments to MFRS 1, Annual Improvements to MFRS Standards 2014 - 2016 Cycle

Amendments to MFRS 2, Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 128, Annual Improvements to MFRS Standards 2014-2016 Cycle

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 140, Transfers of Investment Property

Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

The Group has adopted the new and revised MFRSs that are relevant and effective for accounting periods beginning on or after 1 January 2018. The adoption of these new and revised MFRSs have not resulted in any material impact on the financial statements of the Group as mentioned below:

MFRS 9, Financial Instruments

On the adoption of MFRS 9, the Group has assessed all the three aspects of the accounting for the financial assets and liabilities for classification and measurement, impairment and hedge accounting. In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

On the date of initial application, MFRS 9 did not affect the classification and measurement of the Group’s financial assets and financial liabilities, except that the Group’s allowance for impairment has increased by RM0.46 million as at 1 January 2018 as a result of applying the ECL model on trade receivables. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures for the statement of profit and loss and thus this adjustment was recognised in the opening retained earnings of the current financial year.

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A2. CHANGES IN ACCOUNTING POLICIES (cont'd)

MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation when it becomes effective.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, according to the term and condition stipulated in the contracts with customers. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group's performance; or at a point in time, when control of the goods or services is transferred to the customers.

The impact of adopting MFRS 15 is as follows:

Statement of Financial Position:

	<u>Previously Reported</u> RM	<u>Effect of MFRS 15</u> RM	<u>Restated</u> RM
For the quarter ended 31 December 2017			
Current assets			
Trade and other receivables	32,421,189	(3,620,207)	28,800,982
Inventories	13,739,290	2,696,066	16,435,356
Impact to assets	<u>46,160,479</u>	<u>(924,141)</u>	<u>45,236,338</u>
Equity attributable to owners of the Parent			
Reserves	<u>2,971,813</u>	<u>(924,141)</u>	<u>2,047,672</u>

The Group has elected to recognise the adjustment of the financial effect of MFRS 15 in the opening retained earnings of the current year and, accordingly, the comparative figures for the statement of profit and loss for 2017 have not been restated.

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A2. CHANGES IN ACCOUNTING POLICIES (cont'd)

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective and have not been applied by the Group:

MFRSs (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-Term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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A3. AUDITORS' REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding year's audited financial statements of the Group were not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The Group's business operations are not materially affected by seasonal or cyclical factors during the current financial quarter under review.

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, public holidays and geometric condition in certain country. 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 or cyclical effects in sales.

A5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and the financial year-to-date under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates that had a material effect in the current financial quarter and the financial year-to-date under review.

A7. DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

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A8. SEGMENTAL INFORMATION

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

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

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

The following are revenue from external customers by geographical location with revenue equal or more than ten percent (10%) of the Group revenue:

	Individual Quarter		Cumulative Quarter	
	3 months ended 30.06.2018 RM	3 months ended 30.06.2017 RM	6 months ended 30.06.2018 RM	6 months ended 30.06.2017 RM
Revenue from external customers				
Malaysia	6,943,388	7,816,456	19,677,577	15,997,672
Japan	2,344,494	3,451,082	4,696,705	6,457,204
Others	18,194,145	8,953,290	28,872,267	16,419,423
	<u>27,482,027</u>	<u>20,220,828</u>	<u>53,246,549</u>	<u>38,874,299</u>
Sales by currency				
- USD	6,773,984	4,665,024	14,019,215	8,379,756
- JPY	2,344,495	3,451,082	4,696,706	6,457,204
- RM	6,943,388	7,816,456	19,677,577	15,997,672
- Others	11,420,160	4,288,266	14,853,051	8,039,667
	<u>27,482,027</u>	<u>20,220,828</u>	<u>53,246,549</u>	<u>38,874,299</u>
Average foreign exchange rates				
- RM/USD	3.948	4.331	3.936	4.390
- RM/JPY100	<u>3.620</u>	<u>3.906</u>	<u>3.622</u>	<u>3.900</u>

(source: Bank Negara Malaysia Exchange Rate)

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A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter and the financial year-to-date under review.

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL QUARTER

There were no material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current financial quarter and the financial year-to-date under review.

A12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this interim financial report.

A13. CAPITAL COMMITMENTS

Save for the new manufacturing lines and enhanced automation systems as disclosed in note B7, there were no material capital commitments in respect of property, plant and equipment as at the end of the current financial quarter under review.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

For the current financial quarter under review, the Group recorded revenue of RM27.48 million as compared to revenue of RM20.22 million for the preceding year's corresponding quarter. This is mainly due to the increase in the sales of tyre retreading materials especially pre-cured tread liner that is the main income of the Group.

The Group registered a loss before taxation of RM0.41 million for the current financial quarter under review as compared to the loss before taxation of RM1.92 million for the preceding year corresponding quarter. This is mainly due to the listing expenses of RM2.24 million in the preceding year corresponding quarter offset by the higher cost of raw materials in the current financial quarter.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 30.06.2018 RM	Preceding Quarter 31.03.2018 RM	Variance RM	%
Revenue	27,482,027	25,764,522	1,717,505	6.67
(Loss)/Profit before tax	<u>(410,097)</u>	<u>208,710</u>	<u>(618,807)</u>	<u>(296.49)</u>

The Group's revenue increased by 6.67% from RM25.76 million recorded in the immediate preceding quarter to RM27.48 million in the current financial quarter. This is mainly due to the increase in the sales of tyre retreading materials especially pre-cured tread liner that is the main income of the Group.

The profit before tax of the Group decreased by RM0.62 million from RM0.21 million in the previous financial quarter to loss of RM0.41 million in the current financial quarter which is mainly due to higher cost of raw materials.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018
(CONT'D)

B3. COMMENTARY ON PROSPECTS

As disclosed in the Prospectus of the Company dated 31 March 2017, the Group has put in place a series of future plans in the following areas:-

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 Intellectual property rights in new overseas markets

Enhance product quality

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

The Group plans to increase its export sales and geographical footprint to various overseas markets. The new markets the Group intends to expand to will primarily be outside the ASEAN region, with a focus on the South American region. The Group is in the midst of finalising the details of a joint venture agreement with its business partner to establish a tyre retreading plant in South America and also to market and distribute the retreaded tyres.

Being in the export business, the Group is exposed to foreign currency exchange risks as the Group's export revenue is mainly transacted in USD and JPY. On the other hand, the import of the raw materials such as synthetic rubber and carbon black is mainly denominated in USD. Any significant movement in foreign exchange rates will affect the Group's financial performance. Nonetheless, the Group matches its foreign-denominated sales with foreign-denominated purchases as a natural hedge to a certain degree against adverse foreign exchange fluctuations.

Barring any unforeseen circumstances, the Board is of the opinion that the prospects of the Group's financial performance for the financial year ending 31 December 2018 will remain satisfactory.

EVERSAFE RUBBER BERHAD (1133877 - V)
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018
(CONT'D)

B4. INCOME TAX EXPENSES

	Individual Quarter		Cumulative Quarter	
	3 months ended 30.06.2018 RM	3 months ended 30.06.2017 RM	6 months ended 30.06.2018 RM	6 months ended 30.06.2017 RM
Income tax expense:-				
Current financial period/year	82,835	282,037	105,391	48,240
Under provision in prior year	-	-	35,810	-
Deferred tax:-				
Current financial period/year	(81,987)	(459,992)	(368,906)	107,924
Under provision in prior year	-	-	369,248	-
Total tax expense	<u>848</u>	<u>(177,955)</u>	<u>141,543</u>	<u>156,164</u>

The applicable Malaysian income tax rate is 24% for the financial year ended 31 December 2018 (24% for the financial year ended 31 December 2017).

The Group's effective tax rate for the cumulative quarter were higher than the statutory rate due to losses incurred by certain subsidiaries and also certain expenses which were not deductible for tax purposes.

B5. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018
(CONT'D)

B6. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced as at the date of this report.

B7. UTILISATION OF PROCEEDS

Based on the IPO price of RM0.36 per share, the gross proceeds arising from the public issue amounting to RM17,280,000 shall be utilised in the following manner:-

Purposes	Proposed Utilisation RM'000	Actual * Utilisation RM'000	Deviations # RM'000	Balance RM'000	Estimated Timeframe for utilisation upon listing
(a) New manufacturing lines and enhanced automation systems	12,580	(11,075)^	293	1,798	Within 24 months
(b) Establish intellectual property rights and overseas branding Initiative	1,500	(147)	-	1,353	Within 36 months
(c) Estimated listing expenses	3,200	(2,907)	(293)	-	Immediate
Total	17,280	(14,129)	-	3,151	

* Utilisation as at 30 June 2018.

All listing expenses have been fully paid. Accordingly, the balance of RM0.293 million will be utilised for new manufacturing lines and enhancing automation systems.

^ Part of these which include capital expenditure incurred prior to the IPO which was funded using internally generated funds and bank borrowings.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018
(CONT'D)

B8. GROUP BORROWINGS AND DEBT SECURITIES

Total Group's borrowing (all of which are secured against the Group's assets) as at 30 June 2018 are as follows:-

	<u>Long term</u>		<u>As at 30.06.2018</u> <u>Short term</u>		<u>Total borrowings</u>	
	USD	RM	USD	RM	USD	RM
Secured:						
Bankers' acceptance	-	-	1,876,559	7,576,605	1,876,559	7,576,605
Bankers' acceptance	-	-	-	11,755,000	-	11,755,000
Term loans	-	960,104	-	1,238,183	-	2,198,287
Hire purchase and lease creditors	-	416,472	-	260,061	-	676,533
Bank overdrafts	-	-	-	1,227,497	-	1,227,497
Total		1,376,576		22,057,346		23,433,922

	<u>Long term</u>		<u>As at 30.06.2017</u> <u>Short term</u>		<u>Total borrowings</u>	
	USD	RM	USD	RM	USD	RM
Secured:						
Bankers' acceptance	-	-	1,201,596	5,305,016	1,201,596	5,305,016
Bankers' acceptance	-	-	-	10,236,637	-	10,236,637
Term loans	-	1,750,471	-	966,589	-	2,717,060
Hire purchase and lease creditors	-	334,083	-	267,569	-	601,652
Bank overdrafts	-	-	-	6,068,498	-	6,068,498
Total		2,084,554		22,844,309		24,928,863

B9. MATERIAL LITIGATION

There were no material litigations pending as at the date of this announcement.

EVERSAFE RUBBER BERHAD (1133877 - V)
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018
(CONT'D)

B10. DIVIDENDS

The Board of Directors does not recommend any dividend for the current financial quarter under review.

B11. LOSS PER SHARE (“LPS”)

The basic and diluted LPS for the current financial quarter and current period of 30 June 2018 are computed as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	6 months ended	6 months ended
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM	RM	RM	RM
Basic				
Loss attributable to equity holders of the Company	<u>(410,945)</u>	<u>(1,742,776)</u>	<u>(342,930)</u>	<u>(791,052)</u>
Weighted average number of ordinary shares	<u>240,593,796</u>	<u>231,099,291</u>	<u>240,593,796</u>	<u>211,952,912</u>
Basic loss per ordinary share (sen)	<u>(0.171)</u>	<u>(0.754)</u>	<u>(0.143)</u>	<u>(0.373)</u>

Diluted

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018
(CONT'D)

B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit before taxation is arrived at after charging/(crediting):-

	Individual Quarter		Cumulative Quarter	
	3 months ended 30.06.2018 RM	3 months ended 30.06.2017 RM	6 months ended 30.06.2018 RM	6 months ended 30.06.2017 RM
Interest income	(27,070)	(49,706)	(54,263)	(96,666)
Other income including investment income	-	-	-	-
Interest expense	248,098	207,650	480,175	405,014
Depreciation of property, plant and equipment	1,060,129	985,991	2,128,214	1,961,439
Amortisation of intangible assets	6,009	5,425	16,683	10,850
Bad debts written off	-	-	247	-
Inventories written down	-	-	-	-
Reversal of inventories written down	-	-	-	-
Gain on disposal of property, plant and equipment	(29,417)	(2,969)	(29,417)	(2,969)
Loss on disposal of a former subsidiary	-	-	-	-
Impairment of assets	-	-	-	-
Impairment loss on trade receivables	-	-	-	-
Reversal of impairment loss on trade receivables	-	-	-	-
Foreign exchange loss/(gain) - net	208,494	49,574	645,220	(41,456)
Exceptional items	-	-	-	-