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EVERSAFE RUBBER

EVERSAFE RUBBER BERHAD

Company no: 201501008542 (1133877 - V)
(Incorporated in Malaysia)

CONSOLIDATED
RESULTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 ⁽¹⁾

	Individual Period (3rd quarter)		Cumulative Period	
	Current Year Quarter 30.09.2020 RM	Preceding Year Corresponding Quarter 30.09.2019 RM	Current Year To-date 30.09.2020 RM	Preceding Year Corresponding Period 30.09.2019 RM
Revenue	30,495,735	33,423,252	79,106,152	87,036,596
Cost of sales	(24,369,018)	(27,569,146)	(64,306,134)	(73,697,352)
Gross profit	6,126,717	5,854,106	14,800,018	13,339,244
Other operating income	15,489	314,940	677,420	772,869
Distribution costs	(1,726,779)	(1,948,009)	(4,580,828)	(5,753,856)
General and administrative expenses	(1,230,958)	(1,948,951)	(4,765,672)	(5,373,781)
Profit from operations	3,184,469	2,272,086	6,130,938	2,984,476
Finance income	71,758	37,333	230,895	101,395
Finance costs	(317,118)	(311,256)	(1,024,346)	(900,401)
Profit before tax	2,939,109	1,998,163	5,337,487	2,185,470
Taxation	(341,767)	(486,649)	(744,623)	(540,636)
Profit for the financial period attributable to owners of the parent	2,597,342	1,511,514	4,592,864	1,644,834
Foreign currency translation, net of tax	(159,961)	121,269	(70,508)	139,464
Total comprehensive income, attributable to owners of the parent	2,437,381	1,632,783	4,522,356	1,784,298
Earnings per share attributable to owners of the parent:				
Profit for the financial period				
Basic and diluted (sen) ⁽²⁾⁽³⁾	1.08	0.63	1.91	0.68

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020⁽¹⁾ (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 2019 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.

EVERSAFE RUBBER BERHAD [COMPANY NO.: 201501008542 (1133877 - V)]

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020 ⁽¹⁾

	As at 30.09.2020 RM (Unaudited)	As at 31.12.2019 RM (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	41,079,807	43,599,368
Intangible assets	1	1
Trade receivables	1,006,440	1,169,489
	42,086,248	44,768,858
Current assets		
Inventories	18,736,188	18,419,090
Trade and other receivables	28,291,879	24,763,119
Current tax assets	54,127	496,622
Cash and bank balances	22,703,100	19,254,670
	69,785,294	62,933,501
TOTAL ASSETS	111,871,542	107,702,359
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	65,428,449	65,428,449
Reserves	810,359	(3,711,997)
TOTAL EQUITY	66,238,808	61,716,452
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	4,150,441	4,129,299
Hire purchase and lease liabilities	4,329,877	4,706,853
Borrowings	3,041,863	3,881,954
	11,522,181	12,718,106
Current liabilities		
Trade and other payables	5,839,291	9,280,485
Hire purchase and lease liabilities	2,282,582	1,891,535
Borrowings	25,988,680	22,095,781
	34,110,553	33,267,801
TOTAL LIABILITIES	45,632,734	45,985,907
TOTAL EQUITY AND LIABILITIES	111,871,542	107,702,359
Net assets per ordinary share (RM) ⁽²⁾	0.275	0.257

EVERSAFE RUBBER BERHAD [COMPANY NO.: 201501008542 (1133877 - V)]
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020 ⁽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 2019 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.

EVERSAFE RUBBER BERHAD [COMPANY NO.: 201501008542 (1133877 - V)]
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 ⁽¹⁾

	(Unaudited) 9 months ended 30.09.2020 RM	(Unaudited) 9 months ended 30.09.2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,337,487	2,185,470
Adjustments for:		
Non-cash items/Non-operating items	5,513,825	4,812,613
Operating profit before working capital changes	<u>10,851,312</u>	<u>6,998,083</u>
Changes in working capital:		
Increase in inventories	(234,687)	(1,456,626)
Increase in trade and other receivables	(2,943,962)	(1,890,167)
(Decrease)/Increase in trade and other payables	(3,929,766)	324,465
Others	31,397	505,938
Cash generated from operations	<u>3,774,294</u>	<u>4,481,693</u>
Tax paid - net	(275,797)	(369,300)
Net cash generated from operating activities	<u>3,498,497</u>	<u>4,112,393</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>230,895</u>	<u>101,395</u>
Proceeds from disposal of property, plant and equipment	15,000	164,097
Purchase of property, plant and equipment	<u>(2,393,635)</u>	<u>(1,468,543)</u>
Net cash used in investing activities	(2,147,740)	(1,203,051)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 (con'd)**

	(Unaudited) 9 months ended 30.09.2020 RM	(Unaudited) 9 months ended 30.09.2019 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,024,346)	(900,401)
Net drawdowns of bank borrowings	2,789,110	4,730,657
Increase in short-term deposits pledged as securities	(78,471)	(86,378)
Net cash generated from financing activities	1,686,293	3,743,878
Net increase in cash and cash equivalents	3,037,050	6,653,220
Effect of foreign exchange rates changes	20,318	(17,765)
Cash and cash equivalents at the beginning of the financial period	13,335,136	5,902,471
Cash and cash equivalents at the end of the financial period	16,392,504	12,537,926
Cash and cash equivalents comprise:		
Cash and bank balances	22,703,100	18,605,534
Less: Deposits pledged as securities	(3,859,469)	(3,752,315)
Less: Deposits with licensed banks and other financial institutions with maturity of over 3 months	(1,625,000)	(1,648,019)
	17,218,631	13,205,200
Less: Bank overdrafts	(826,127)	(667,274)
	16,392,504	12,537,926

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 2019 and the accompanying explanatory notes to this interim financial report.

EVERSAFE RUBBER BERHAD [201501008542 (1133877 - V)]
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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 2019, except for the adoption of the following MFRS/ Amendments/ Interpretations effective 1 January 2020:

Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3 Definition of a Business
Amendments to MFRS 101 and MFRS 108 Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020:

Amendment to MFRS 16 Covid-19 Related Rent Concessions

The Group has adopted the new and revised MFRSs that are relevant and effective for accounting periods beginning on or after 1 January 2020. The adoption of these new and revised MFRSs have not resulted in any material impact on the financial statements.

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.

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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.

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:

	Individual Quarter				Cumulative Quarter				
	3 months ended		3 months ended		9 months ended		9 months ended		
	30.09.2020		30.09.2019		30.09.2020		30.09.2019		
	RM	%	RM	%	RM	%	RM	%	
Revenue by geographical location:									
Malaysia	7,914,214	25.95	9,201,870	27.53	20,567,704	26.00	24,859,152	28.56	
East Asia and Oceania	5,998,270	19.67	10,613,787	31.76	19,973,313	25.25	25,762,762	29.60	
South East Asia	11,908,208	39.05	11,083,075	33.16	28,364,534	35.86	28,187,494	32.39	
South Asia, Middle East & Africa	2,523,150	8.28	1,039,150	3.11	5,141,264	6.50	4,034,969	4.64	
Americas	855,254	2.80	237,859	0.71	1,411,398	1.78	935,256	1.07	
Europe	1,296,639	4.25	1,247,511	3.73	3,647,939	4.61	3,256,963	3.74	
	<u>30,495,735</u>		<u>33,423,252</u>		<u>79,106,152</u>		<u>87,036,596</u>		
Sales by currency:									
USD	14,709,682	48.24	13,244,518	39.62	34,723,595	43.89	33,750,225	38.78	
JPY	1,616,578	5.30	3,713,121	11.11	5,707,985	7.22	8,057,686	9.26	
RM	7,914,214	25.95	9,201,870	27.53	20,567,704	26.00	24,859,152	28.56	
Others	6,255,261	20.51	7,263,743	21.74	18,106,868	22.89	20,369,533	23.40	
	<u>30,495,735</u>		<u>33,423,252</u>		<u>79,106,152</u>		<u>87,036,596</u>		
Average foreign exchange rates									
RM/USD	4.203		4.164		4.234		4.135		
RM/JPY100	<u>3.959</u>		<u>3.880</u>		<u>3.938</u>		<u>3.789</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

Save for Covid-19 pandemic as disclosed in B3, 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

Authorised capital expenditure not provided for in the financial statements	RM '000
- Contracted	<u>1,849</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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 RM30.50 million as compared to revenue of RM33.42 million for the preceding year's corresponding quarter. This is mainly due to the decrease in the sales of tyre retreading materials as a result of the impact of Covid-19 pandemic.

The Group registered a profit before taxation of RM2.94 million for the current financial quarter under review as compared to the profit before taxation of RM2.00 million for the preceding year corresponding quarter. This is mainly due to lower general and administrative expenses and higher gross profit margin recorded during the current financial quarter.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 30.09.2020 RM	Preceding Quarter 30.06.2020 RM	Variance RM	%
Revenue	30,495,735	19,074,032	11,421,703	59.88
Profit before tax	<u>2,939,109</u>	<u>246,817</u>	<u>2,692,292</u>	<u>1,090.80</u>

The Group's revenue increased by 59.88% from RM19.07 million recorded in the immediate preceding quarter to RM30.50 million in the current financial quarter. This is mainly due to the increase in the sales of tyre retreading materials.

The profit before tax of the Group increased by RM2.69 million from profit of RM0.25 million in the previous financial quarter to profit of RM2.94 million in the current financial quarter which is mainly due to improved sales and higher gross profit margin.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 (con'd)

B3. COMMENTARY ON PROSPECTS

The Group has taken necessary steps to mitigate the effects and challenges of Covid-19 pandemic at the global and domestic levels and has also taken necessary measures to comply with all the procedures required by all relevant authorities to ensure that production and business will proceed optimally.

The Group's retreading and rubber compounding business are expected to be challenging on several fronts, but necessary measures to break into new export markets for rubber compounds coupled with tighter cost and credit control have been implemented to mitigate the challenges ahead. Being in the export business, the Group is exposed to foreign currency exchanges 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.

With the uncertainty attributable to the impact from the Covid-19 pandemic on the global market, the Board is optimistic that the prospects of the Group's financial performance for the financial year ending 31 December 2020 will remain satisfactory.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 (con'd)

B4. INCOME TAX EXPENSES

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Income tax expense:-				
Current financial period/year	333,767	587,702	547,342	626,734
Over provision in prior year	-	(75,784)	137,281	(59,198)
Deferred tax:-				
Current financial period/year	8,000	(25,269)	60,000	(432,078)
Over provision in prior year	-	-	-	405,178
Total tax expense	<u>341,767</u>	<u>486,649</u>	<u>744,623</u>	<u>540,636</u>

The applicable Malaysian income tax rate is 24% for the financial year ending 31 December 2020 (24% for the financial year ended 31 December 2019).

The Group's effective tax rate for the cumulative quarter were lower than the statutory rate due to unused tax losses and unutilised reinvestment allowances available to offset against taxable profit.

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 (con'd)

B6. STATUS OF CORPORATE PROPOSALS

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

B7. GROUP BORROWINGS AND DEBT SECURITIES

Total Group's borrowings (all of which are secured against the Group's assets) as at 30 September 2020 are as follows:-

	<u>Long term</u>		<u>As at 30.09.2020</u> <u>Short term</u>		<u>Total borrowings</u>	
	USD	RM	USD	RM	USD	RM
	Secured:					
Bankers' acceptance	-	-	1,959,125	8,141,143	1,959,125	8,141,143
Bankers' acceptance	-	-	-	15,924,000	-	15,924,000
Term loans	-	3,041,863	-	1,097,410	-	4,139,273
Hire purchase and lease creditors	-	-	-	-	-	-
Bank overdrafts	-	-	-	826,127	-	826,127
Total		3,041,863		25,988,680		29,030,543

	<u>Long term</u>		<u>As at 30.09.2019</u> <u>Short term</u>		<u>Total borrowings</u>	
	USD	RM	USD	RM	USD	RM
	Secured:					
Bankers' acceptance	-	-	2,137,482	8,956,050	2,137,482	8,956,050
Bankers' acceptance	-	-	-	10,995,000	-	10,995,000
Term loans	-	3,726,014	-	1,785,509	-	5,511,523
Hire purchase and lease creditors	-	629,669	-	389,580	-	1,019,249
Bank overdrafts	-	-	-	667,274	-	667,274
Total		4,355,683		22,793,413		27,149,096

B8. MATERIAL LITIGATION

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 (con'd)

B9. DIVIDENDS

The Board of Directors has declared an interim single-tier dividend of 1 sen per share, amounting to RM2,405,938 in respect of the financial year ending 31 December 2020, to be paid on 18 December 2020 to shareholders registered in the Company's Register as at 4 December 2020.

B10. EARNINGS PER SHARE

The basic and diluted earnings per share for the current financial quarter and current period of 30 September 2020 are computed as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Basic				
Profit attributable to equity holders of the Company	<u>2,597,342</u>	<u>1,511,514</u>	<u>4,592,864</u>	<u>1,644,834</u>
Weighted average number of ordinary shares	<u>240,593,796</u>	<u>240,593,796</u>	<u>240,593,796</u>	<u>240,593,796</u>
Basic earnings per ordinary share (sen)	<u>1.08</u>	<u>0.63</u>	<u>1.91</u>	<u>0.68</u>
Diluted				

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 (con'd)

B11. 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 30.09.2020 RM	3 months ended 30.09.2019 RM	9 months ended 30.09.2020 RM	9 months ended 30.09.2019 RM
Interest income	(71,758)	(37,333)	(230,895)	(101,395)
Other income including investment income	-	-	-	-
Interest expense	317,118	311,256	1,024,346	900,401
Depreciation of property, plant and equipment	1,661,095	1,152,363	5,035,324	3,636,834
Amortisation of intangible assets	-	-	-	-
Bad debts written off	-	-	-	-
Inventories written down	-	-	-	-
Reversal of inventories written down	-	-	-	-
Gain on disposal of property, plant and equipment	-	-	(14,999)	(18,641)
Impairment of assets	-	-	-	-
Impairment loss on trade receivables	12,204	96,967	127,178	254,779
Reversal of impairment loss on trade receivables	-	(7,576)	(7,898)	(37,229)
Foreign exchange loss/ (gain) - net	(107,816)	(174,952)	(419,231)	(505,635)
Exceptional items	-	-	-	-