

**BIOMAX RUBBER INDUSTRIES LTD.
AND ITS SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**
(Incorporated in the Islands of Bermuda)
(Registration No. 47454)

FOR THE PERIOD ENDED
30 JUNE 2014

**BIOMAX RUBBER INDUSTRIES LTD. AND ITS SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2014

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BIOMAX RUBBER INDUSTRIES LTD.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	NOTE	30.06.2014 USD
NON CURRENT ASSETS		
Property, plant and equipment	3	691,264
CURRENT ASSETS		
Inventories	4	604,010
Trade receivables		427,563
Other receivables, deposits and prepayments	5	113,671
Cash and bank balances		33,074
		1,178,318
CURRENT LIABILITIES		
Trade payables		447,756
Other payables and accruals		371,078
Amount due to directors	6	104,256
Taxation		55,689
		978,779
NET CURRENT ASSETS		199,539
		890,803
Financed by:		
SHARE CAPITAL	7	12,000
RESERVES	9	128,837
SHAREHOLDERS' FUNDS		140,837
NON-CONTROLLING INTEREST	10	749,966
TOTAL EQUITY		890,803

Approved and signed on behalf of the Board of Directors :


 DIRECTOR - YANG ZENGHUI


 DIRECTOR - CHONG WEE CHONG

The attached notes form an integral part of the Consolidated Financial Statements.

BIOMAX RUBBER INDUSTRIES LTD.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

	NOTE	30.06.2014 USD
REVENUE	11	3,426,037
Costs of revenue		(3,148,758)
GROSS PROFIT		<u>277,279</u>
Administration expenses		(61,051)
Distribution expenses		(6,090)
Other operating expenses		(10,467)
		<u>(77,608)</u>
PROFIT BEFORE OTHER INCOME		<u>199,671</u>
Other income		1,376
PROFIT BEFORE TAXATION		<u>201,047</u>
Taxation	12	(26,363)
PROFIT FOR THE PERIOD		<u>174,684</u>
Other comprehensive income/(loss) for the period		-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD		<u><u>174,684</u></u>
EARNINGS PER SHARE – BASIC AND DILUTED	13	<u><u>0.01941</u></u>

The attached notes form an integral part of the Consolidated Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

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BIOMAX RUBBER INDUSTRIES LTD.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

USD
30.06.2014

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation 201,047

Adjustments for

Depreciation

50,142

Loss on disposal of property, plant and equipment

-

50,142

Operating profit before working capital changes

251,189

Inventories

(293,000)

Trade receivables

32,859

Other receivables and deposits

(107,776)

Amount due from holding company

-

Amount due from subsidiary

-

Amount due from directors

-

Trade payables

164,739

Other payables and accruals

(30,647)

Amount due to immediate holding company

-

Amount due to directors

-

(233,825)

Cash generated from operating activities

17,364

Tax paid

(34,365)

Net cash generated from operating activities

(17,001)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in subsidiary

-

Proceeds from disposal of property, plant and equipment

-

Purchase of property, plant and equipment

(8,123)

Net cash absorbed into investing activities

(8,123)

Net increase/(decrease) in cash and cash equivalents

(25,124)

Cash and cash equivalents brought forward

58,198

Cash and cash equivalents carried forward

33,074

30.06.2014
USD

CASH AND CASH EQUIVALENTS COMPRISE OF :-

Cash in hand

100

Bank balances

32,974

33,074

The attached notes form an integral part of the Consolidated Financial Statements.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

1. OPERATIONS

Biomax Rubber Industries Ltd was incorporated in Bermuda on 27 February 2013 for the purpose of effecting a merger with a wholly-owned subsidiary, Biomax Rubber Industries Sdn. Bhd., a company incorporated under the laws of Malaysia. Biomax Rubber Industries Sdn. Bhd. has one direct wholly-owned subsidiary, Biomax Resources Sdn. Bhd., which operates as the marketing arm of the group. The merger with its subsidiaries was completed in 20 March 2013, and the Company then pursued listing its shares on the Bermuda Stock Exchange (“BSX”) and this was approved by the BSX on 21 June 2013. Biomax Rubber Industries Sdn. Bhd. continued as a manufacturer of medical or examination gloves in Malaysia. It manufactures premium non-sterile latex medical or examination gloves, pre-powdered, polymer coated and trades chlorinated powder free gloves for the healthcare industry. Biomax’s products are exported to more than twenty countries including the United State of America, Vietnam, China, India, Australia and European and Middle East countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The consolidated financial statements are presented in United State dollars (“USD”). In current period, the consolidated financial statements are prepared in accordance with International Financial reporting Standards (“IFRS”) under the historical cost convention except as otherwise noted. This is the first time adoption of IFRS by the Group. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

2.2 Basis of consolidation

The consolidated financial statements include Biomax Rubber Industries Ltd and its subsidiaries which are 100% owned by Biomax Rubber Industries Ltd.

The Company has certain transactions originally denominated in foreign currency. These transactions have been translated into United States dollars at the time of transaction. The foreign currency gain/loss is insignificant. All intercompany balances and transaction have been eliminated in consolidation.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2.3 Property, Plant & Equipment and Depreciation

Property, plant & equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation of property, plant & equipment is calculated on the straight line basis at the following annual rates based on their estimated useful lives :-

	Per Annum
Plant and machinery	10%
Forklifts	10%
Electrical fittings	10%
Office equipment	10%
Furniture and fittings	10%

Property, plant & equipment are written down to recoverable amount if the recoverable amount is less than their carrying value. Recoverable amount is the higher of an asset's net selling price and its value in use.

2.4 Impairment of Assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying value of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognized to the extent of the carrying amount of the assets that would have determined (net of amortization and depreciation) had no impairment loss been recognized. The reversal is recognized in the income statement immediately.

2.5 Investment

Investment in subsidiaries are stated at cost less provision for any permanent diminution in value.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2.6 Taxation

Tax on profit or loss for the financial year comprise current and deferred tax. Income tax is recognized in the income statement except to the extent it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the consolidated of financial position date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and unutilized tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilized tax losses can be utilized. Temporary differences are not recognized for goodwill not deductible for tax purpose and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

2.7 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized :

(i) Revenue from services

Revenue from services rendered is recognized net of service taxes and discounts as and when the services are performed.

(ii) Sale of goods

Revenue is recognized net of sale tax and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2.8 Financial Instruments

Financial instruments are recognized in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distribution to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

(i) Trade receivables

Trade receivables are carried at anticipated realizable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Trade payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(iv) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at bank, fixed deposits pledged to financial institutions, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2.9 Foreign Currency Transactions

Foreign currency balances that are monetary items have been translated into USD dollars at the rate of exchange prevailing on the valuation date. Foreign currency transactions are translated at the rate in effect at the date of the transaction. Any realized or unrealized exchange adjustments are included in the related caption in the statement of operations.

2.10 Employee Benefits

(i) Short term benefits.

Wages, salaries, bonuses and social security contributions are recognized as expenses in the financial year in which the associated services are rendered by employees of the Company. Short term accumulation compensated absences such as paid annual leave are recognized as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognized when the absences occur.

Bonuses are recognized as an expense when there is a present legal or constructive obligation to make such payment as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Defined contributions plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognized as an expense in the income statement as incurred.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

3. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery USD	Forklifts USD	Electrical fittings USD	Office equipment USD	Furniture and fittings USD	Total USD
Group						
<u>Cost</u>						
As at 1.1.14	951,228	4,999	14,036	24,466	5,408	1,000,137
Additions	-	-	-	8,123	-	8,123
As at 30.6.14	951,228	4,999	14,036	32,589	5,408	1,008,260
<u>Accumulated depreciation</u>						
As at 1.1.14	252,505	1,333	5,102	6,525	1,389	266,854
Additions	47,562	250	701	1,359	270	50,142
As at 30.6.14	300,067	1,583	5,803	7,884	1,659	316,996
Net book values 30.6.2014	651,161	3,416	8,233	24,705	3,749	691,264

4. INVENTORIES

	Group 30.6.2014 USD
Raw materials	171,927
Work in progress	125,819
Finished goods	306,264
	<u>604,010</u>

5. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments is an amount of USD 20,209 due from a related company in which certain directors have a material interest in.

6. AMOUNT DUE TO DIRECTORS

The amount due to directors represents advances from directors, are non-trade related, interest-free, unsecured and has no specific term for repayment.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

7. SHARE CAPITAL

30.6.2014
USD

Authorised:-

9,000,000 ordinary shares of par value USD \$0.0013	<u>12,000</u>
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Issued and fully paid:-

9,000,000 ordinary shares of par value USD \$0.0013	<u>12,000</u>
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8. ULTIMATE HOLDING COMPANY

The Company regards Biomax Industries Sdn. Bhd., a company incorporated in Malaysia as its ultimate holding company.

9. RESERVES

30.6.2014
USD

Accumulated losses brought forward,	(45,847)
Total comprehensive income for the period	<u>174,684</u>
Accumulated profit carried forward	<u>128,837</u>

10. NON-CONTROLLING INTEREST

Non-controlling interest relates to the pre-acquisition profit prior to the merger on 20 March 2013.

11. REVENUE

Revenue comprises of the invoiced value of goods sold less discounts given and returns.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

12. TAXATION

1.1.2014
to
30.6.2014
USD

Tax per income statement	<u>26,363</u>
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A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

1.1.2014
to
30.6.2014
USD

Profit before taxation	<u>201,047</u>
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Taxation at Malaysian statutory rate	(56,852)
Expenses not deductible for tax purpose	83,215
(Utilisation) of capital allowances in period	-
(Utilisation) of reinvestment allowance	-
(Utilisation) of losses in period	-
Tax per income statement	<u>26,363</u>

Unabsorbed capital allowances are analysed as follows:

Capital allowances for the period	-
(Utilisation) of capital allowances for the period	-
Unabsorbed capital allowances carried forward	<u>-</u>

Unabsorbed tax losses are analysed as follows:

Unabsorbed losses brought forward	-
(Utilisation) of losses for the period	-
Unabsorbed losses carried forward	<u>-</u>

BIOMAX RUBBER INDUSTRIES LTD.

13. NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

14. EARNING PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the period.

The calculation of basic earnings per share attributable to the owners of the Company is based on the following date:

	1.1.2014 To 30.6.2014 USD
Earnings	
Profit to equity holders of the Company	174,684
Number of shares	
Weighted average number of ordinary shares for the purpose of Basic earnings per share	9,000,000
Earning Per Share	0.01941

No diluted earnings per share are presented as there was no potential ordinary share outstanding during the period or as at the end of reporting period.

15. PARTICULARS OF SUBSIDIARIES

At 30 June 2014, the holding company has the following directly held, wholly owned subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued and fully paid registered capital	Principal activities
Biomax Rubber Industries Sdn Bhd	Malaysia 15.3.2010	RM 500,000	Manufacturer of rubber gloves
Biomax Resources Sdn Bhd	Malaysia 11.11.2010	RM 100	Trader for rubber gloves

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

16. RELATED PARTY TRANSACTIONS

The following significant transactions between the Group Companies and related parties took place at terms agreed between the parties during the financial period :-

	30.6.2014 USD
Subsidiary – Biomax Rubber Industries Sdn Bhd	
Sale of disposable gloves to Biomax Resources Sdn. Bhd.	<u><u>3,315,730</u></u>

17. COMMITMENTS

Lease

The Subsidiary has a lease commitment with an unrelated party for its factory space located in Selangor, Malaysia. The factory space is leased for the period 1 June 2011 to 31 May 2021. Future minimum lease payments are as follows:

Year Ending 31 December,	Annual Lease Payments (USD)
2014	39,600
2015	39,600
2016	39,600
2017	39,600
2018 to end of tenance period	<u>162,200</u>
	<u><u>320,600</u></u>

18. FINANCIAL INSTRUMENTS

17.1 Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group's exposure to credit, interest, liquidity and cash flow, and currency risks arises in the normal course of business and it has established procedures to assess and monitor the risks on an ongoing basis.

17.2 Credit risk

The Group has a credit policy in place and its exposure to credit risk is monitored on an ongoing basis. At the balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

BIOMAX RUBBER INDUSTRIES LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – 30 JUNE 2014

17. FINANCIAL INSTRUMENTS – (CONTINUED)

17.3 Liquidity and cash flow risks

The Group manages its operating cash flow on an ongoing basis. Cash flow requirements are planned ahead to ensure that sufficient level of cash and cash equivalents is maintained to meet its working capital requirements.

17.4 Interest risk

The Group does not have any exposure to interest risk.

17.5 Foreign exchange risk

Transactions in foreign currencies are translated into US dollar at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into US dollar at rates of exchange prevailing at that date. Gains or losses resulting from currency translations have been treated as normal revenue items.

The foreign exchange currency at 30 June rates are as follow :-

	30.06.2014 USD
1 RM Ringgit Malaysia	0.320
1 EURO Dollar	<u>1.369</u>

18. MANAGEMENT PLANS

Biomax Rubber Group. Has intention and plan to expand its production lines and facilities to accommodate increasing demand for medical and examination glove products from its customer around the globe. The new production lines and facilities will have the latest technology and equipment to increase its production efficiency and cost effectiveness. Semi auto and fully auto machines will be introduced to reduce human touch and error made on medical and examination glove which gives a better quality assurance.

For the future development of the Biomax Group, the board will look into upstream activities such as engaging business partnership with rubber plantation owners on the long term latex supply or to perform acquisition on rubber plantation.