BIOMAX RUBBER INDUSTRIES LTD

ARBN 603 577 171

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 2016

## CONTENTS

# DIRECTORS GOVERNANCE STATEMENT

The Board has the responsibility of ensuring that the Company is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to governance policies with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and nature of activities.

The main corporate governance policies are summarised below:

**Director's Access to Independent Advice**

It is the Board's policy that any committees established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with the terms of reference established by the Board.

**Audit Board and Risk**

The Board meets with the external auditors at least once a year. The specific activities include assessing and monitoring:

- The adequacy of the Company's internal controls and procedures to ensure compliance with all applicable legal obligations.
- The adequacy of the financial risk management processes.
- The appointment of the external auditor, any reports prepared by the external auditor and listing with the external auditor.

**Remuneration and Management Succession Planning Committee**

The Board in fulfilling its responsibilities to shareholders by:

- Reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- Ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- Maintaining a Board that has an appropriate mix of skills and experience to be an effective decision making body; and
- Ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

# DIRECTOR'S REPORT

Your directors present their report on the Company for the financial period ended 31 December 2016

**Directors**

The names of directors in office at any time during or since the end of the period are:

Chong wee Chong

Yang Zeng Hui

Lynda Milligan Whyte

Arthur Hodgson

Mr Chong has been a director from incorporation on 27 February 2013 and continued until the date of this report.

Mr Hui has been a director from incorporation on 27 February 2013 and continued until the date of this report.

Ms Whyte has been a director from incorporation on 27 February 2013 and continued until the date of this report.

Mr Hodgson has been a director from incorporation on 27 February 2013 and continued until the date of this report.

**Company Secretary**

The position of company secretary from 27 February 2013 has been held by both Richmond Corporate Services Ltd and Andrew David Bristow.

**Principle Activities**

The principle activity of the Company and its Subsidiary is manufacture of medical equipment.

**Our business model and objectives**

The Company proposes to generate future income by continuing to manufacture medical equipment.

The Company proposes to fund these investments by additional capital.

**Operating Results**

The Company incurred a net operating profit for the period of A$193,611 (US$144,976).

## Dividends Paid or Recommended

No dividends have been paid since the date of incorporation and the directors do not recommend the payment of a dividend.

## Review of Operations

The Company has been engaging in its principal activities.

## Financial Position

The net assets of the Company during the financial period other than those disclosed elsewhere in this report.

## Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial period other than those disclosed elsewhere in this report.

## After Balance Date Events

There have been no events that have affected or may significantly affect the operations of the Company, the results of those operations , or the state of affairs of the Company in the future since the Balance Date.

## Future Developments and Business Strategies

The Company will pursue its investment objectives for the long-term benefit of members. This will require the continued review of the investment strategy that is in place and may from time to time require some changes to that strategy.

We do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of our investments. Accordingly, we do not provide a forecast of the likely results of our activities.

## Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under the law of the Australia or elsewhere.

## DIRECTORS' REPORT

### Information on Directors

**Chong Wee Wong**

-Executive Director, Chairman.

Board member from 27 February 2013 to date. Qualification and Experience

Mr Chong was the Chief Executive Officer / Executive Director of CVM Minerals Limited and CVM magnesium Sdn Bhd. CVM Minerals Limited is a company listed in Hong Kong Stock Exchange with main business in mining & mineral sectors. He initiated this magnesium smelting project in 2004, and completed its IPO exercise in 2008, and the plant was fully operational in 2010.

He worked with INNOVEST Berhad in 2000 as Director of Operations managing company's businesses and reported business performance to the Board. He was the General Manager at FACB Berhad in 1006 where he gained extensive China business experiences while he completed the construction and acquisition of 2 toll highway projects in China.

He also worked with Blue Cross of California as actuarial associate in Woodland Hill, a healthcare insurance company, from 1990 to 1992 and participated in the US Ministry of Health's healthcare reform study and Ministry of Defense's healthcare plan for uniform servicemen and women in 1990. He joined Penncorp financial (incorporated in Santa Monica), a financial company with business in life and A&H insurance and annuity financial products, as Actuarial Analyst upon graduation in 1987.

He earned a Master of Science degree in 1987 from University of Iowa (USA) majoring in Actuarial Science and Statistics, and a Bachelor of Science degree from the same university majoring in Actuarial Science in 1986. He currently is a member of the Financial Planning Association Malaysia.

He has been involved in mega project development and implementation, and has a wide experience in developing business & project models, financial models, project financing, risk assessment, overall strategic planning and management for such projects.

Interest in Shares and Options

1,861,557 CDIs

Preference Shares

Special Responsibilities

Nil

Directorships held in other listed Entities

Nil

**Yang Zeng Hui**

Executive Director, CEO

Board member from 27 February 2013 to date

Mr Yang, is Executive Director and Chief Executive Officer of Biomax Rubber Industries. In 2010, he recognised the potential of the rubber glove industry and decided to come over from China to Malaysia and formed Biomax Rubber Industries Sdn Bhd to manufacture latex ME gloves. He has been instrumental in the growth and development of the company and has been the key driving force in the expansion of the factory from the initial two production lines to four production lines. Mr Yang is currently responsible for the overall business, strategic planning and the entire operation of the company. His overall management has contributed significantly to the success and growth of the company.

His involvement in the glove industry has started since 2004 as he and his Malaysian partner had incorporated Tian Mao Sdn Bdn as a trading company by buying gloves in bulk, improving the quality and thereafter selling the gloves to its customer in China. Due to his close relationship with the private and government sector in China, he also managed to trade palm oil waste and SMR20 and import these products to China.

In 2005, he joined Guang yuan Constructions Ltd Co. as General Manager, which he and his team undertook several road construction, property development and government office construction projects in China. He went back to China to join TaiHeLi Ltd. Co as Marketing Assistant where he assisted the company in promoting chemical products. During his tenure in TaiHeLi, he successfully secured an exclusive dealership with Singaporean firm to distribute their pain product in China.

He persued an Accounting course in Kolej Damansara utama (KDU) Malaysia in 2008, which was a twining programme with University of Murdoch, Australia

Interest in Shares and Options

2,792,336 CDI's

Special Responsibilities

Nil

Directorships held in other listed Entities

Nil

**Arthur Hodgson**

Non-Executive Director

Board member from 27 February 2013 to date

Qualification and Experience

My Hodgson has been a scholar, an educator, real estate and business developer and politician. As a former Member of the Bermuda Parliament, a former Cabinet Minister, a Bermuda Rhodes Scholar and commercial lawyer with nearly 25 years' experience practicing law in Bermuda, he brings depth and practical experience to the Bermuda legal profession in dealing with property law, private client matters, regulatory and commercial matters generally.

Mr Hodgson's academic background has taken him to the USA, UK and the Caribbean. Mr Hodgson became a Bermuda Rhodes Scholar upon graduating from the Berkeley Institute.

He then graduated from Michigan State University where he received a Bachelor's Degree in Economics in 1962. He then earned the distinction of being selected as a 'Rhodes Scholar' from Bermuda in 1964 and graduated from Oxford University in England where he studied Philosophy, Politics and Economics. He also holds a degree in Education from the University of Guyana (1977)

Mr Hodgson studied law at the University of Buckingham in the Uk, where he was awarded a Bachelor of Laws Degree. He attended the Middle Temple in London and was admitted to the Bar of England and Wales and to the Bermuda Bar in 1987.

Mr Hodgson commenced his legal career in Bermuda with the law firm Richards, Francis and Francis where he became a partner. He has served on the Bermuda Bench where he served primarily as a Magistrate in the Family Court. He subsequently established a boutique firm called Richmond Lw Offices to do legal consulting work and now practices with APEX LAW GROUP LTD. Barristers & Attorneys, which firm resulted from the merger of two Bermuda law firms (Richmond Law Offices and Lynda Milligan-Whyte & Associates).

Mr Hodgson has served as the Minister of the Environment and more recently as Chairman of a Bermuda Government's Round Table on 'Sustainable Development'. He is presently serving as the Chairman of the Hamilton parish Council and the Chairman of the Bermuda Missions Trust.

Interest in Shares and Options

Nil

Special Responsibilities

Nil

Directorships held in other listed Entities

Nil

**Lynda Milligan-Whyte**

Non-Executive Director

Board member from 27 February 2013 to date

Mrs MilliganOWhyte is a graduate of Queen's University in Ontario, Canada having successfully completed four degrees at that institution. Lynda's LLB law degree awarded in 1979 was converted to a Juris Doctor degree in 2010. Lynda also served on the Board of Trustees of Queen's University for several years before being appointed to the Bermuda Senate by the Premier of Bermuda in 1986. Mrs Milligan Whyte's corporate legal experience has spanned three decades commencing with her position at the Ontario Securities Commission as Legal Assistant to the Chairman in 1982.

Mrs Milligan-Whyte is the founder and director of APEX LAW GROUP ltd, an international corporate and commercial law firm that provides a full range of legal services to Bermuda based companies, partnerships and trusts.

Interest in Shares and Options

Nil

Special Responsibilities

Nil

Directorships held in other listed Entities

Nil

**Dated** **31 March 2017**

**DIRECTOR - CHONG WEE CHONG**

## REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Biomax rubber Industries Ltd, and for the executives receiving the highest remuneration.

### Remuneration Policy

All issues in relation of both Executive Directors and Non-Executive Directors are dealt with by the Board as a whole.

The Constitution of Biomax rubber Industries Ltd Limited requires approval by the shareholders in general meetings of a maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Directors. The amount of remuneration currently approved by shareholders for Non-Executive Directors is a maximum of $50,000 per annum.

Non-Executive Directors hold office until such as they retire, resign or are removed from office under the terms set out in the constitution of the Company. Non-Executive Directors do not receive any performance based remuneration.

### Details of remuneration for period ended 31 December 2016

Details of the remuneration for each Director of the Company was as follows:

| Name | Salary & Fees | Superannuation Contributions | Other | Total |
|---|---|---|---|---|
| Chong Wee Wong | $ 3,597 | $ - | $ - | $ 3,597 |
| Yang Zeng Hui | 8,992 | - | 742 | 9,734 |
| Arthur Hodgson Lynda Milligan-Whyte | - | - | - | - |

# BIOMAX RUBBER INDUSTRIES LTD.

## AND ITS SUBSIDIARY COMPANIES
## CONSOLIDATED FINANCIAL STATEMENTS

(Incorporated in the Islands of Bermuda)
(Registration No. 47454)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

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

## FINANCIAL STATEMENTS
## 31 DECEMBER 2016

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## BIOMAX RUBBER INDUSTRIES LTD.

(Registration no. 47454)
(Incorporated in The Islands of Bermuda)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

| | NOTE | 2016 USD | 2015 USD |
|---|---|---|---|
| **Non-Current Assets:-** | | | |
| Property, plant and equipment | 5 | 382,970 | 621,528 |
| **Total non-current assets** | | 382,970 | 621,528 |
| **Current Assets:** | | | |
| Inventories | 7 | 783,693 | 529,733 |
| Trade and other receivables | 8 | 1,155,387 | 798,906 |
| Cash and bank balances | 9 | 33,505 | 53,540 |
| Total current assets | | 1,972,585 | 1,382,179 |
| **Total Assets** | | 2,355,555 | 2,003,707 |
| **Equity:** | | | |
| Share capital | 10 | 12,000 | 12,000 |
| Retained profits | 12 | 817,518 | 865,636 |
| **Total Equity attributable to owners of the Company** | | 829,518 | 877,636 |
| **Non-Current Liabilities:** | | | |
| Lease liabilities | 13 | 29,400 | 20,289 |
| Deferred tax liabilities | 14 | 57,321 | 63,072 |
| Total non-current liabilities | | 86,721 | 83,361 |
| **Current Liabilities:** | | | |
| Trade and other payables | 15 | 1,402,090 | 1,005,515 |
| Lease liabilities | 13 | 6,202 | 3,997 |
| Taxation | | 31,024 | 33,198 |
| Total current liabilities | | 1,439,316 | 1,042,710 |
| **Total Liabilities** | | 1,526,037 | 1,126,071 |
| **Total Equity and Liabilities** | | 2,355,555 | 2,003,707 |

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

**BIOMAX RUBBER INDUSTRIES LTD.**
(Registration no. 47454)
(Incorporated in The Islands of Bermuda)

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTE | Company 2016 USD | Company 2015 USD |
|---|---|---|---|
| **Continuing Operations:** | | | |
| Revenue | 16 | 6,375,589 | 6,333,783 |
| Cost of revenue | 16 | (5,977,479) | (5,875,956) |
| Gross profit | | 398,110 | 457,827 |
| | | | |
| Administration expenses | | (100,978) | (144,664) |
| Distribution expenses | | (64,394) | (88,873) |
| Other operating expenses | | (48,204) | (78,849) |
| Other operating income | 17 | - | 10,412 |
| | | (213,576) | (301,974) |
| Profit from trading operations | | 184,534 | 155,853 |
| Finance costs | 18 | (795) | (666) |
| Profit before tax | 17 | 183,739 | 155,187 |
| | | | |
| Taxation expenses | 19 | (38,763) | (107,438) |
| **Profit for the year** | | 144,976 | 47,749 |
| | | | |
| **Other Comprehensive Income:** | | | |
| Exchange translation differences of foreign operations | | (193,094) | (114,900) |
| **Total Comprehensive income for the year** | | (48,118) | (67,151) |
| | | | |
| Profit for the year attributable to: | | | |
| Members of the parent entity | | 144,976 | 47,749 |
| | | 144,976 | 47,749 |
| | | | |
| Total comprehensive income for the year attributable to:- | | | |
| Members of the parent entity | | (48,118) | (67,151) |
| | | (48,118) | (67,151) |
| | | | |
| **EARNINGS PER SHARE - BASIC AND DILUTED** | | 0.0157 | 0.0052 |

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

**BIOMAX RUBBER INDUSTRIES LTD.**
(Registration no. 47454)
(Incorporated in The Islands of Bermuda)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

| | Attributed to equity holders of the Company | | | |
|---|---|---|---|---|
| | Share capital USD | Translation reserve USD | Retained profits USD | Total USD |
| **Group** | | | | |
| As at 1 January 2015 | 12,000 | - | 932,787 | 944,787 |
| Total comprehensive income for the year | - | - | 110,821 | 110,821 |
| Other comprehensive loss for the year | - | (114,900) | - | (114,900) |
| | - | - | (63,072) | (63,072) |
| As at 31 December 2015 | 12,000 | (114,900) | 980,536 | 940,708 |
| | | | | |
| As at 1 January 2016 | 12,000 | (114,900) | 980,536 | 940,708 |
| Total comprehensive income for the year | - | - | 144,976 | 144,976 |
| Other comprehensive loss for the year | - | (193,094) | - | (193,094) |
| **As at 31 December 2016** | **12,000** | **(307,994)** | **1,125,512** | **892,590** |

# BIOMAX RUBBER INDUSTRIES LTD.

(Registration no. 47454)
(Incorporated in The Islands of Bermuda)

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

| | 2016 USD | 2015 USD |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Profit before taxation | 183,739 | 155,187 |
| Adjustment for | | |
| Depreciation | 83,790 | 86,119 |
| Finance lease interest | 794 | 666 |
| Unrealised loss on foreign exchange | 193,094 | 114,900 |
| | 277,678 | 201,685 |
| Operating profit before working capital changes | 461,417 | 356,872 |
| Inventories | (336,122) | (182,561) |
| Trade and other receivables | (420,788) | (494,549) |
| Trade and other payables | 327,619 | 314,586 |
| | (429,291) | (362,524) |
| Cash generated from/(absorbed into) operating activities | 32,126 | (5,652) |
| Tax paid | (43,332) | (35,053) |
| Net cash (absorbed into) operating activities | (11,206) | (40,705) |
| **Cash Flows from Investing Activities** | | |
| Purchase of property, plant and equipment | (20,197) | (37,752) |
| | (31,403) | (78,457) |
| **Cash Flows from Financing Activities** | | |
| Inception of finance lease arrangements | 16,410 | 27,949 |
| Finance lease interest | (794) | (666) |
| Lease payments | (4,248) | (3,664) |
| Net cash generate from financing activities | 11,368 | 23,619 |
| **Net (decrease) in cash and cash equivalents** | (20,035) | (54,838) |
| **Cash and cash equivalents brought forward** | 53,540 | 108,378 |
| **Cash and cash equivalents carried forward** | 33,505 | 53,540 |

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

**BIOMAX RUBBER INDUSTRIES LTD.**
(Registration no. 47454)
(Incorporated in The Islands of Bermuda)

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2016 - (CONTINUED)

**Cash and Cash Equivalents Comprise of :-**

| | 2016 USD | 2015 USD |
|---|---|---|
| Cash in hand | 3,278 | 5,059 |
| Bank balances | 30,227 | 48,481 |
| | 33,505 | 53,540 |

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

# BIOMAX RUBBER INDUSTRIES LTD.

(Registration no. 47454)
(Incorporated in The Islands of Bermuda)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2016

### 1. GENERAL INFORMATION

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 was listed on the Bermuda Stock Exchange ("BSX") on 21 June 2013. However, the Company has changed the stock exchange it is listed on to National Stock Exchange of Australia ("NSX") on 19 September 2015. 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 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.

Each of the entities within the Group prepares their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The Consolidated financial statements are presented in United Stated Dollars ("USD") which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on

### 2. BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporation Act 2001.

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board under the historical cost convention except as otherwise noted.

The financial statements of the Company have been prepared using cost and fair value bases.

Management has used estimates and assumptions in measuring the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the report period. Judgments and assumptions are applied in the measurement, and hence, the actual results may not coincide with the reported amounts.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Subsidiaries and Basis of Consolidation

The Group recognises a subsidiary based on the criterion of control. A subsidiary is an entity (including special purpose entities) over which the Group has the power to govern the financial and operating policy decisions of the investee so as to obtain benefits from its activities. In circumstances when the voting rights are not more than half or when voting rights are not the dominant determinant of control, the Group uses judgements to assess whether it has de facto control, control by other arrangements (including control of special purpose entities), or by holding substantive potential voting rights.

The financial statements of the parent Company and its subsidiary used in the preparation of the consolidated financial statements are prepared as of the same reporting date 31 December 2016.

The consolidated financial statements are prepared using uniform accounting policies for like transactions, other events an conditions in similar circumstances.

The carrying amount of investment in each subsidiary of a parent in the Group is elimated against the parent's portion of equity in each subsidiary. The consolidated financial statements combine like items of assets, liabilities, equity, income, expenses and cash flows of the Company and its subsidiaries. The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition (which is the date the Group assumes control of an investee) or up to effective date of disposal (which is the date the Group ceases to have control of an investee).

All intra-group balances and transactions are eliminated in full on consolidation. Unrealised profits or losses arising from intra-group transactions are also eliminated in full on consolidation, except when an unrealised loss is an impairment loss.

When the Group ceases to control a subsidiary, the difference between the proceeds from the disposal of the subsidiary and its carrying amount at the date that control is lost is recognised in profit or loss in the statement of comprehensive income as a gain or loss on disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income is not reclassified to profit or loss on disposal of the subsidiary. It the Group retains an equity interest in the former subsidiary, it is accounted for as a financial asset (provided it does not become an associate or a joint venture). The carrying amount of the investment retained at the date that the entity ceased to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

Any decrease in equity stake in a subsidiary that does not result in a loss of control is accounted for as an equity transaction and the financial effect is adjusted directly in the consolidated statement of changes in equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.2 Non-Controlling Interest

Non-controlling interest in partly-owned subsidiary represents its share of net assets, other than goodwill, of the subsidiary and is presented as a component of equity separately from owners' equity. Non-controlling interest is initially measured at acquisition-date share of net assets other than goodwill as of the acquisition date and is subsequently adjusted for the changes in the net assets of the subsidiary after the acquisition date.

The Group treats a change in a parent's controlling interest in a subsidiary that does not result in a loss of control as a transaction with equity holders in their capacity as equity holders. Accordingly, the carrying amount of the non-controlling interest is adjusted to reflect the change in the parent's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to the owners of the parent.

### 3.3 Foreign Currency Transactions and Operations

Each entity in the Group (whether it is the parent Company, a subsidiary or a branch) determines its functional currency (a currency of the primary economic environment in which the entity operates) and measures its results and financial position in the functional currency.

**Translation of Foreign Currency Transactions**

For each entity in the Group, transactions denominated in foreign currencies are translated and recorded at the rate of exchange prevailing at the respective dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the period. Non-monetary items carried at fair values that are denominated in foreign currencies are retranslated at the rate prevailing at the date the fair value were determined. Non-monetary items that are measured at their historical cost amounts continue to be translated at their respective historical rate and are not retranslated.

All exchange differences arising on settled transactions and on unsettled monetary items are recognised in profit or loss in the period.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.4 Property, Plant and Equipment

Operating tangible assets that are used for more than one accounting period in the production and supply of goods and services, for administrative purposes or for rental to others are recognised as property, plant and equipment when the Group obtains control of the assets. The assets, including major spares, servicing equipment and stand-by equipment, are classified into appropriate classes based on their nature. Any subsequent replacement of a significant component in an existing asset is capitalised as a new component in the asset and the old component is derecognised.

All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use. For a self-constructed asset, cost comprises all direct and indirect costs of construction (including provision for restoration and cost of major inspection) but excludes internal profits.

All property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life. The depreciation methods used and the useful lives of the respective classes of property, plant and equipment are as follows:

| Manufacturing plant: | Method | Useful Life |
|---|---|---|
| Plant and machinery | Straight-line | 10 years |
| Electrical fittings | Straight-line | 10 years |
| Motor vehicle | Straight-line | 5 years |
| Office equipment | Straight-line | 10 years |
| Furniture and fittings | Straight-line | 10 years |

At the end of each reporting period, the residual values, useful lives and depreciation methods for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current period.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.5 Impairment of Non-Financial Assets

An impairment loss arises when the carrying amount of a Group's asset exceeds its recoverable amount.

At the end of each reporting date, the Group assesses whether there is any indication that a stand-alone assets or a cash-generating unit may be impaired by using external and internal sources of information. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit.

If an individual asset generates independent cash inflows, it is tested for impairment as as stand-alone asset, if an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and the value in use. The Group determines the fair value less costs to sell of an asset or a cash-generating unit in a hierarchy based on: (i) price in a binding sale agreement; (ii) market price traded in an active market; and (iii) estimate of market price sing the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for periods beyond the five-year forecast or budget.

For an asset measured on a cost-based model, any impairment loss is recognised in profit or loss.

For a cash-generating unit, any impairment loss is allocated to the assets of the unit pro rata based on the relative carrying amount of the assets.

The Group reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognised previously may have reversed.

Any reversal of impairment loss for an asset carried at a cost-based model is recognised in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises purchase price and direct attributable costs of bringing the inventories to their present location and condition. For manufactured goods, cost includes conversion costs of labour and variable and fixed production overheads. For items of inventory that are individually significant or are segregated for individual projects, cost is measured using the specific identification method. For homogeneous items of inventory, cost is determined by the weighted average cost formula. Net releasable value is determined on an item-by-item basis or on group similar items basis.

### 3.7 Share Capital, Other Equity Instruments and Distributions

The Group classified and presents an issued financial instrument (or its component parts), on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

**(a) Share capital**

Ordinary shares and non-redeemable preference share issued that carry no put option and no mandatory contractual obligation: (i) to deliver cash or another financial asset; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company, are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a private placement or in a rights issue to existing shareholders, they are recorded at the issue price. For ordinary shares and other equity instruments issued in exchange for non-monetary assets, they are measured by the reference to the fair values of the assets received.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at their fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax effect.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.7 Share Capital, Other Equity Instruments and Distributions - (Continued)

#### (b) Compound Financial Instruments

The Group evaluates the terms of an issued financial instrument to determine whether it contains both a liability component and an equity component. The proceeds of convertible bond or other compound instruments are allocated to the liability component measured at fair value, using the discounted cash flow method, and balance to the equity component. Transaction costs are allocated pro rate based on the relative carrying amounts. The Group treats any taxable temporary between the carrying amount of the liability component and its tax bases as an initial recognition difference for which no deferred tax liability is recognised.

#### (c) Distributions

Distributions to holders of an equity instrument are recognised as equity transactions and are debited directly in equity, net of any related income tax effect.

An dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Board of Directors declares an interim dividend, or in the case of a proposed final dividend, the date the shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders, for a distribution of non-cash assets to owners, the Company measures the dividend payable at the fair value of the assets to be distributed.

### 3.8 Financial Instruments

#### (a) Initial Recognition and Measurement

The Group recognises a financial asset or a financial liability (including derivative instrument) in the statement of financial position when, and only when, an entity in the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred. For intra-group loans and advances, and other contractual arrangements, that constitute a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.8 Financial Instruments - (Continued)

#### (b) Derecognition of Financial Instruments

For derecognition purposes, the Group first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset is derecognised when, and only when, the contractual rights to receive the cash flows from the financial expire, or when the Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Group acts only as a collecting agent of the transferee, and retains no significant risk and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate differs by 10% or more when compared with the carrying amount of the original liability.

#### (c) Subsequent Measurement of Financial Liabilities

For the purpose of subsequent measurement, the Group classifies financial assets into two categories, namely : (i) financial assets at fair value through profit or loss; and (ii) financial assets at amortised cost.

After initial recognition, the Group measures investments in quoted preference shares, quoted ordinary shares and derivative that are assets at their fair values by reference to the active market prices, if observable, or otherwise by a valuation technique, without any deduction for transaction costs it may incur on sale or other disposal.

Investment in debt instruments, whether quoted or unquoted, are subsequently measured at amortised cost using the effective interest method. Investments in unquoted equity instruments and whose fair value cannot be reliably measured are measured at cost.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 3.8(f).

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.8 Financial Instruments - (Continued)

#### (d) Subsequent Measurement of Financial Liabilities

After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method, except for derivatives instruments that are liabilities, which are measured at fair value.

#### (e) Fair Value Measurement of Financial Instruments

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique using reasonable and supportable assumptions.

#### (f) Impairment and Uncollectability of Financial Assets

The Group applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Group examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidences of trigger loss events include: (i) significant difficulty of the issuer or obligor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) granting exceptional concession to a customer; (iv) it is probable that a customer will enter bankruptcy or other financial reorganisation; (v) the disappearance of an active market for that financial asset because of financial difficulties; or (vi) any observable market data indicating that there maybe a measureable decrease in the estimated future cash flows from a group of financial assets.

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss and a corresponding amount is recorded in a loss allowance account. Any subsequent reversal of impairment loss of the financial asset is reversed in profit or loss with a corresponding adjustment to the loss allowance account, subject to the limit that the reversal should not result in the revised carrying amount of the financial asset exceeding the amount that would have been determined had no impairment loss been recognised previously.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.8 Financial Instruments - (Continued)

#### (f) Impairment and Uncollectability of Financial Assets - (Continued)

For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is any indication of impairment. Individually significant receivables for which no impairment loss is recognised are grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Group's experiences of loss ratio in each class, taking into consideration current market conditions.

#### (g) Recognition of Gain and Losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

### 3.9 Finance and Operating Leases

The Group recognises a lease whenever there is an agreement, whether explicitly stated as a lease or otherwise, whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Title may or may not eventually be transferred. All other leases that do not meet this criterion are classified as operating leases.

#### (a) Lessee Accounting

The Company capitalises the underlying leased asset and the related lease liability in financial lease. The amount recognised at the commencement date is the fair value of the leased assets or, if lower, the present value of the minimum lease payments, determined at the inception of the leases. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs are added to the amount recognised as an asset.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.9 Finance and Operating Leases - (Continued)

#### (a) Lessee Accounting

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method. A finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as an expense in the period in which they are incurred.

#### (b) Operating Leases

The Group does not capitalise the underlying leased asset or recognise a lease liability in an operating lease. Instead, lease payments under an operating lease are recognised as an expenses on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

### 3.10 Tax Assets and Tax Liabilities

Taxes payables are determined by each individual in the Group. A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior exceeds the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability (asset) is measured at the amount the Company expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expenses in profit or loss for the period. For an income or expense item recognised in other comprehensive income, the current or deferred tax expenses or tax income is recognised in other comprehensive income. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.11 Employee Benefits

The Group recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expenses when the Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.

#### (a) Short-Term Employee Benefits

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expenses, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

Profit sharing and bonus payments are recognised when, and only when, the Group has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

#### (b) Defined contribution plan

Entities in the Group make statutory contributions to approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Group has no further payment obligations.

### 3.12 Revenue Recognition and Measurement

The Group measures revenue revenue from a sale of goods or a service transition at the fair value of the consideration received or receivable, which is usually the invoice price, net of any trade discounts and volume rebates given to a customer in a sale or service transaction.

Revenue from a sale of goods is recognised when: (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (b) the Group retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold; (c) the amount of the revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Company; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### 3.13 Provisions

The Group recognises a liability as a provision if the outflows required to settle the liability are uncertain in timing or amount.

A provision for warranty costs, restoration costs, restructuring costs, onerous contracts or lawsuit claims is recognised when the Group has a present legal or constructive obligation as a result of a pass event, and of which the outflows of resources on settlement are probable and a reliable estimate of the amount can be made. No provision is recognised if these conditions are not met.

Any reimbursement attributable to a recognised provision from a counter-party (such as an insurer) is not off-set against the provision but recognised separately as an asset when, and only when, the reimbursement is virtually certain.

A provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. For a warranty provision, a probability-weighted expected outcome of the resources required to settle the obligation is applied, taking into account the Group's experiences of similar transactions and supplemented with current facts and circumstances. For a restoration provision, where a single obligation is being measured, the Company uses the individual most likely outcome as the best estimate of the liability by reference to current prices that contractors would charge to undertake such obligations, and taking into account likely future events that may affect the amount required to settle an obligation. For an onerous contract, provision is measured based on the amount by which costs to fulfill the contract exceed the benefits. For a lawsuit provision, a probability-weighted expected outcome is applied in the measurement, taking into account past court judgements made in similar cases and advices of legal experts.

A provision is measured at the present value of the expenditures expected to be required to settle the obligation using the discount rate that reflects the time value of money and the risk that the actual outcome might differ from the estimate made. The unwinding of the discount is recognised as an interest expense

## 4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

### 4.1 Judgements and Assumptions Applied

The judgements that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements are disclosed in the respective Notes.

### 4.2 Estimation Uncertainty

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties of the Group are in measuring: (a) provisions; (b) value-in-use of non-financial assets in impairment testing; (c) loss allowances of financial assets; (d) depreciation of property, plant and equipment; (e) measurement of income taxes.

#### (a) Measurement of a Provision

The Group uses a "best estimate" as the basis for measuring a provision. Management evaluates the estimates based on the Group's historical experiences and other inputs or assumptions, current developments and future events that are reasonable possible under the particular circumstances. In the case when a provision relates to large population of customers (such as a warranty provision), a probability-weighted estimate of the outflows required to settle the obligation is used. In the case of a single estimate (such as a provision for environmental restoration costs), a referenced contractor's price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that the actual outcome might differ from the estimate made.

#### (b) Determining the Value-in-Use

The Group allocates goodwill to cash-generating units for the purpose of impairment testing. In determining the value-in-use of a stand-alone asset or a cash-generating unit, management uses reasonable and supportable inputs about sales, costs of sales and other expenses based upon past experiences, current events and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discounts rate(s). The actual outcome or event may not coincide with the imputes or assumptions and the discount rate applied in the measurement, and this may have a significant effect on the Group's financial position and results.

## 4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY - (CONTINUED)

### 4.2 Estimation Uncertainty - (Continued)

#### (c) Impairment of Write-Down of Slow-Moving and Obsolete Inventories

The Group writes down its slow-moving and obsolete inventories based on assessment of the fair value less costs to sell. Inventories are written down when events and circumstances indicate that the carrying amounts may not be recoverable. Management uses its judgement to analyse past sales trend and current economic trends to evaluate the adequacy of the impairment loss for slow-moving and obsolete inventories. The actual impairment loss can only be confirmed in any subsequent sales of those inventories and this may differ from the estimates made earlier. This may affect the Group's financial position and results.

#### (d) Loss Allowances of Financial Assets

The Group recognises impairment losses for loans and receivables using the incurred loss model. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's past experiences of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's financial position and results.

#### (e) Depreciation of Property, Plant and Equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that result reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant an equipment.

#### (f) Measurement of Income Taxes

The Group operates in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's provision for current and deferred taxed because the ultimate tax liability for the group as a whole is uncertain. When the final outcome of the taxes payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxed payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will adjust for the differences as over-or under-provision of current or deferred taxes in the current period in which those differences arise.

**BIOMAX RUBBER INDUSTRIES LTD.**
(Registration no. 47454)
(Incorporated in The Islands of Bermuda)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2016**

## 5. PROPERTY, PLANT AND EQUIPMENT

| CONSOLIDATEI | Plant and machinery USD | Motor vehicles USD | Electrical fittings USD | Office equipment USD | Furniture and fittings USD | Total USD |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at 1.1.16 | 980,151 | 34,546 | 13,716 | 38,133 | 5,285 | 1,071,831 |
| Additions | - | 20,197 | - | - | - | 20,197 |
| Foreign exchange movements | (258,467) | (1,204) | (3,617) | (9,322) | (1,394) | (274,004) |
| As at 31.12.16 | 721,684 | 53,539 | 10,099 | 28,811 | 3,891 | 818,024 |
| Accumulated depreciation | | | | | | |
| As at 1.1.16 | 420,848 | 6,909 | 7,403 | 12,854 | 2,289 | 450,303 |
| Additions | 72,169 | 7,341 | 1,010 | 2,881 | 389 | 83,790 |
| Foreign exchange movements | (93,869) | (240) | (1,712) | (2,706) | (512) | (99,039) |
| As at 31.12.16 | 399,148 | 14,010 | 6,701 | 13,029 | 2,166 | 435,054 |
| Net book values 31.12.2016 | 322,536 | 39,529 | 3,398 | 15,782 | 1,725 | 382,970 |
| CONSOLIDATED | | | | | | |
| Net book values 31.12.2015 | 559,303 | 27,637 | 6,313 | 25,279 | 2,996 | 621,528 |
| Depreciation Year ended 31.12.2015 | 74,775 | 6,909 | 1,046 | 2,985 | 404 | 86,119 |

The cost of motor vehicle acquired under hire purchase arrangement is USD3,539 (2015: USD34,546)

| | 2016 USD | 2015 USD |
|---|---|---|
| Depreciation for the year charged to :- | | |
| - manufacturing accounts | 74,547 | 77,240 |
| - administration expenses | 9,243 | 8,879 |
| | 83,790 | 86,119 |

## 6. INVESTMENT IN SUBSIDIARIES

**Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares or which are held directly by the Group.

| Name of Subsidiary | Principal place of business | Principal activity | Effective ownership interest 2016 | 2015 |
|---|---|---|---|---|
| **Direct subsidiary:** | | | | |
| Biomax Rubber Industries Sdn Bhd | Malaysia | Manufacturing and trading of disposable gloves | 100% | 100% |
| **Indirect subsidiary:** | | | | |
| Biomax Resources Sdn Bhd | Malaysia | Trading of disposable gloves | 100% | 100% |

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statement.

## 7. INVENTORIES

| | 2016 USD | 2015 USD |
|---|---|---|
| Measured at lower of cost and net realisable value: | | |
| Raw materials | 269,146 | 352,396 |
| Work in progress | 127,252 | - |
| Finished goods | 387,295 | 177,337 |
| Total inventories | 783,693 | 529,733 |

## 8. TRADE AND OTHER RECEIVABLES

| | | 2016 USD | 2015 USD |
|---|---|---|---|
| Trade receivables | | 818,010 | 563,396 |
| Other receivables | | 300,232 | 208,466 |
| Deposits | | 26,020 | 26,960 |
| Prepayment | | 7,044 | 84 |
| Amount due from a director | (a) | 4,082 | - |
| | | 1,155,387 | 798,906 |

(a) The amount due from a director is non-trade related, interest-free, unsecured and repayable on demand.

## 9. CASH AND CASH EQUIVALENTS

The Group's cash management policy is to use cash and bank balances, money market instruments, bank overdrafts and short-term trade financings to manage cash flows to ensure sufficient liquidity to meet the Group's obligations. The components of cash and equivalents consist of:

| | 2016 USD | 2015 USD |
|---|---|---|
| Cash and bank balances | 33,505 | 53,540 |

## 10. SHARE CAPITAL

| | 2016 USD | 2015 USD |
|---|---|---|
| **Authorised:-** | | |
| 9,000,000 ordinary shares of par value USD $0.0013 | 12,000 | 12,000 |
| **Issued and fully paid:-** | | |
| 9,000,000 ordinary shares of par value USD $0.0013 | 12,000 | 12,000 |

## 11. TRANSLATION RESERVE

**Foreign currency translation reserve**

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve.

## 12. RETAINED PROFITS

The Group's policy is to treat all gains and losses that pass through the statement of comprehensive income (i.e. non-owner transactions or events) as revenue reserves. Other than retained profits, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders.

## 13. LEASE LIABILITIES

| | 2016<br>USD | 2015<br>USD |
|---|---|---|
| Net carrying amounts included in class of property, plant and equipment: | | |
| - Motor vehicle | 39,529 | 27,637 |
| Future lease payments payable: | | |
| - Not later than one year | 7,461 | 4,723 |
| - More than one year to five year | 35,518 | 23,983 |
| Total future minimum lease payments | 42,979 | 28,706 |
| Less : Future finance charges | 7,377 | 4,420 |
| Present value of minimum lease payments | 35,602 | 24,286 |
| Repayable within 12 months | (6,202) | (3,997) |
| Repayable after 12 months | 29,400 | 20,289 |

## 14. DEFERRED TAX LIABILITIES

| | 2016 USD | 2015 USD |
|---|---|---|
| Taxable temporary differences of qualifying property, plant and equipment | 80,250 | 105,159 |
| Deductible temporary differences of: | | |
| -Provision | (22,929) | (42,087) |
| -Foreign exchange movements | 2,199 | - |
| Net deferred tax liabilities | 59,520 | 63,072 |

## 15. TRADE AND OTHER PAYABLES

| | | 2016 USD | 2015 USD |
|---|---|---|---|
| Trade payables | | 825,816 | 393,290 |
| Accrued expenses | | 129,087 | 121,044 |
| GST payable | | 66,690 | 10,596 |
| Other payables | | 380,497 | 466,505 |
| Amount due to a director | (a) | - | 14,080 |
| | | 1,402,090 | 1,005,515 |

(a) The amount due to a director is non-trade related, interest-free, unsecured and repayable on demand.

## 16. REVENUE AND COST OF SALES

| | 2016 USD | 2015 USD |
|---|---|---|
| Total revenue from manufactured goods | 6,375,589 | 6,333,783 |
| Total cost of sales and direct expenses | | |
| - Cost of manufactured goods sold | (5,977,479) | (5,875,956) |
| Gross profit | 398,110 | 457,827 |

## 17. PROFIT BEFORE TAXATION

| | 2016 USD | 2015 USD |
|---|---|---|
| **a) Profit before taxation is arrived at after charging :-** | | |
| Auditors' remuneration | | |
| - current year provision | 10,418 | 9,638 |
| - under provision of prior year | 1,011 | 815 |
| Depreciation charged to :- | | |
| - Manufacturing account | 74,547 | 77,240 |
| - Administration expenses | 9,243 | 8,879 |
| Expenses for employee benefits * | 535,971 | 493,397 |
| Rental of plant and machinery | 37,933 | 16,760 |
| Rental of premises charged to :- | | |
| - Manufacturing accounts | 34,056 | 30,898 |
| Loss on foreign exchange - realised | 2,605 | 25 |
| **and crediting:-** | | |
| Gain on foreign exchange - realised | - | 10,412 |
| | - | 10,412 |

| *** The employee benefits expenses of the Group comprise of :-** | 2016 USD | 2015 USD |
|---|---|---|
| a) Short-term benefits of wages and salaries | 518,888 | 484,505 |
| b) Defined contribution plans expenses | 17,083 | 8,892 |
| | 535,971 | 493,397 |
| Included in employee benefits expenses are:- | | |
| a) Directors' fees | 3,597 | - |
| b) Directors' salary | 8,992 | 18,256 |
| | 12,588 | 18,256 |
| c) Directors' other emoluments ** | 742 | 769 |
| Total directors' emoluments | 13,330 | 19,025 |

Note **: Directors' other emoluments comprise of benefits-in-kind for use of cars at the estimated money value of these benefits which is based on market rates of the car of USD15,735 (2015: USD16,306).

## 18. FINANCE COST

| | 2016 USD | 2015 USD |
|---|---|---|
| Finance lease interest | 795 | 666 |

## 19. TAXATION

| | 2016 USD | 2015 USD |
|---|---|---|
| Current income tax expenses | 42,168 | 44,744 |
| Under/(Over) provision in prior year | 147 | (378) |
| Deferred tax (income)/expenses | (3,552) | 63,072 |
| Total tax expenses for the year | 38,763 | 107,438 |

The significant differences between the tax expenses and accounting profit multiplied by the statutory tax rate are due to the tax effects arising from the following items:

| | 2016 USD | 2015 USD |
|---|---|---|
| Profit before taxation | 183,739 | 155,187 |
| Tax at statutory income tax rate | 38,938 | 40,906 |
| Tax effect of expenses disallowed from income tax purposes:- | | |
| - Depreciation of non-qualifying property, plant and equipment | 20,110 | 20,669 |
| - Other expenses disallowed for tax purposes | 2,265 | 4,070 |
| Tax benefit from double deduction | (1,003) | (457) |
| (Utilisation) of capital allowances in year | (18,142) | (20,443) |
| Provision based on these financial statement | 42,168 | 44,744 |
| Under/(Over) provision in prior year | 147 | (378) |
| Deferred tax (income)/expenses | (3,552) | 63,072 |
| Tax charge per income statement | 38,763 | 107,438 |

**Unabsorbed capital allowances are analysed as follows:**

| | 2016 USD | 2015 USD |
|---|---|---|
| Capital allowances for the year | 18,142 | 20,443 |
| (Utilisation) of capital allowances for the year | (18,142) | (20,443) |
| Unabsorbed capital allowances carried forward | - | - |

## 20. RELATED PARTY DISCLOSURE

### 20.1 Control Relationships

As disclosed in Note 1, the Group's ultimate parent, is Biomax Rubber Industries Ltd a company incorporated in The Islands of Bermuda. The names of the subsidiaries in the Group is disclosed in Note 6.

### 20.2 Related Party Transactions

The Group's related party transactions in the year ended 31 December 2016 and the corresponding comparative prior year are as follows:-

| (a) Sales of Goods to : | 2016<br>USD | 2015<br>USD |
|---|---|---|
| Entities over which the Group has control, joint control or significant influence | 5,960,924 | 5,965,490 |
| Entities in which a director has significant influence and interests | 1,546,011 | 2,223,681 |
| Total for type of transactions | 7,506,935 | 8,189,171 |

The sales of glove to entities have been transacted mainly at the then current prices prevailing at the dates of the transactions in the normal course of business of the Group. The credit terms of the sales were between 3 - 6 months. The balances uncollected at the end of the year is USD1,530,804 (2015 : USD1,245,186) which are accumulated in the trade receivables. No interest is charged for the related party current receivables.

| (b) Hire of plant and machinery from | 2016<br>USD | 2015<br>USD |
|---|---|---|
| Entities in which a director has significant influence and interests | 40,462 | 24,223 |
| | 40,462 | 24,223 |

The hire of plant and machinery charged from entities was based on agreed term between the respective entities. The balance unpaid at the end of the year for Group is USD43,242 (2015 : USD NIL), which were accumulated in the related entities current payables. No interest was charged for the related entities current payables.

**BIOMAX RUBBER INDUSTRIES LTD. AND ITS SUBSIDIARY COMPANIES**
(Registration no. 47454)
(Incorporated in the Islands of Bermuda)

**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. The financial statements and notes for the year ended 31 December 2016 are in accordance with the Corporations Act 2001 and :

   a. comply with Accounting Standards, which, as stated in basis of preparation Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position and performance of the consolidated group;

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**DIRECTOR - YANG ZENGHUI**

**DIRECTOR - CHONG WEE CHONG**

Date: 31 March 2017

**Y. S. KOH & CO.** (AF 0543)
CHARTERED ACCOUNTANTS
91M & 93M, Jalan SS 21/37, Damansara Utama,
47400 Petaling Jaya, Selangor Darul Ehsan.

Tel : 03-7725 6088
Fax : 03-7725 8088
Email : yskohco@yahoo.com
(Office hours: Monday to Friday - 9.00 am - 6.00 pm)
GST NO: 000514560000

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**BIOMAX RUBBER INDUSTRIES LTD. AND ITS SUBSIDIARY COMPANIES**
(Registration No. 47454)
(Incorporated in the Islands of Bermuda)

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of **BIOMAX RUBBER INDUSTRIES LTD** (" The Company" and its controlled entities ("the Group"), which comprise the statements of financial position as at 31 December 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 28, and the directors' declaration.

In our opinion, the accompanying financial statements of the Group are in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

We are independent of the Group in accordance with the audit independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ("the Code"). We have fulfilled our other ethical responsibilities in accordance with the Code.

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOMAX RUBBER INDUSTRIES LTD. AND ITS SUBSIDIARY COMPANIES**
(Registration No. 47454)
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### Information Other than the Financial Statements and Auditors' Report Thereon - (Continued)

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

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

### Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of financial statements is free from material misstatement, whether due to fraud or error.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**Y. S. KOH & CO.** (AF 0543)
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOMAX RUBBER INDUSTRIES LTD. AND ITS SUBSIDIARY COMPANIES**
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**Auditors' Responsibilities for the Audit of the Financial Statements - (Continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group, including the disclosures, and whether the financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Remuneration Report**

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Biomax Rubber Industries Ltd for the year ended 31 December 2016 complies with Section 300A of the Corporations Act 2001.

**Y. S. KOH & CO.** (AF 0543)
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**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Y. S. KOH & CO.
Firm Number : AF 0543
Chartered Accountants

KOH YOON SING @ KOH JOON SHIN
Approval Number : 922/03/18(J)
CHARTERED ACCOUNTANT

Petaling Jaya, Selangor
Date: 31 March 2017

**Biomax Rubber Industries Ltd**

**ARBN 603 577 171**

**STOCK EXCHANGE INFORMATION**

**TOP 20 ORDINARY SHAREHOLDERS AS AT 1 MAY 2017**

| Shareholder | Share | %of issued |
|---|---|---|
| YANG ZENG HUI | 2,791,336 | 30.142% |
| CHONG WEE CHONG | 1,861,557 | 20.102% |
| EMERGING CAPITAL LIMITED | 1,329,684 | 14.359% |
| ARTOY INTERNATIONAL LIMITED | 336,494 | 3.634% |
| ALLIANCE GLOBAL CAPITAL | 336,493 | 3.634% |
| FARZANA TAHIR | 336,493 | 3.634% |
| IFTHIKAR AHMAD | 336,493 | 3.634% |
| TAN YEW MING | 336,493 | 3.634% |
| LOO CHEE HOW | 332,421 | 3.590% |
| CHEW NKENG YAW | 265,937 | 2.872% |
| SHAHID AKRAM | 249,113 | 2.690% |
| BNP PARIBAS NOMINEES PTY LTD | 100,880 | 1.089% |
| RINA ROSARINA MARIA | 72,484 | 0.783% |
| MER GERALD MEYER | 58,217 | 0.629% |
| MR PETER ROSENBERG | 53,331 | 0.576% |
| JOHAN LUCYX | 44,000 | 0.475% |
| ELMAR DUKER | 30,500 | 0.329% |
| MR CHRISTIAN SCHINZL | 20,000 | 0.216% |
| DR MARKUS GERLE | 15,000 | 0.162% |

**Analysis of Holdings as at 29-04-2016**

**Security Classes**
**CHESS Depositary Interests over Fully Paid Ordinary Shares**

| Holdings Ranges | Holders | Total Units | % |
|---|---|---|---|
| 1-1,000 | 0 | 0 | 0.000 |
| 1,001-5,000 | 0 | 0 | 0.000 |
| 5,001-10,000 | 0 | 0 | 0.000 |
| 10,001-100,000 | 8 | 307,932 | 3.325 |
| 100,001-99,999,999,999 | 12 | 8,666,378 | 93.001 |
| **Totals** | **20** | **8,921,326** | **96.336** |

| Substantial shareholders | Shares | % of Issued |
|---|---|---|
| YANG ZENG HUI | 2,791,336 | 30.322 |
| CHONG WEE CHONG | 1,861,557 | 20.222 |
| EMERGING CAPITAL LIMITED | 1,329,684 | 14.444 |

**Biomax Rubber Industries Ltd**

**ARBN 603 557 171**

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## CORPORATE DIRECTORY

<u>DIRECTORS</u>

Chong Wee Chong

Yang Zeng Hui

Lynda Milligan-Whyte

Arthur Hodgson

<u>SECRETARY</u>

Richmond Corporate Services Ltd

Veritas Place 65 Court Street

Hamilton HM 12, Bermuda

Andrew David Bristow - Australia

<u>REGISTERED OFFICE – Bermuda</u>

C/- Richmond Corporate Services Ltd

Veritas Place 65 Court Street

Hamilton HM 12, Bermuda

<u>OPERATIONAL OFFICE</u>

C/- Biomax rubber Industries

A$-3-2, Solaris

Dutamas, No1, Jalan Dutamas 1, 50480

Huala Lumpur Malaysia

REGISTERED OFFICE – AUSTRALIA

C/-_HIGHGATE CORPORATE ADVISORS PTY LTD

Suite 214, Level 2, 33 Lexington Drive

BELLA VISTA NSW 2153

+61 2 9629 6188

NOMINATED ADVISOR

HIGHGATE CORPORATE ADVISORS PTY LTD

Suite 214, Level 2, 33 Lexington Drive

BELLA VISTA NSW 2153

+61 2 9629 6188

AUDITOR

Y.S. Koh & Co

Chartered Accountants

91M Jalan, SS 21.37 Damansara, Utama

47400 Petaling Jaya, Selangor

Malaysia

+60 3 7725 6088

CDI/SHARE REGISTRY

BOARDROOM PTY LIMITED

Level 12, 225 George Street

SYDNEY NSW 2000