BIO OSMO BERHAD

Annual Report 2017

Contents

Corporate Information

BOARD OF DIRECTORS

En Shahrizal Hisham bin Abdul Halim
Executive Director

En Azrin Mirzhan bin Kamaluddin [1]
Executive Director

Mr Wong Kok Seong
Independent Non-Executive Director

Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif
Independent Non-Executive Director

En Auzir Bin Mohd Yaacob [2]
Independent Non-Executive Director

Datuk Haji Mohammad Kamal bin Yan Yahaya [3]
Non-Independent Non-Executive Director

Dato' Yahya bin A. Jalil [3]
Non- Independent Non-Executive Director

Dato' Latt Shariman Bin Abdullah [3]
Non-Independent Non-Executive Director

Note:-
[1] Appointed as Executive Director on 24 Oct 2017.
[2] Resigned as Independent & Non-Executive Director on 24 0ct 2017.
[3] Appointed as Non-Independent & Non-Executive Director on 24 0ct 2017.

AUDIT COMMITTEE

Chairman
Mr Wong Kok Seong

Members
Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif
En Auzir Bin Mohd Yaacob [4]

Note:-
[4] Resigned as member on 24 0ct 2017

NOMINATION COMMITTEE

Chairman
Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif

Members
Mr Wong Kok Seong
En Auzir Bin Mohd Yaacob [5]

Note:-
[5] Resigned as member on 24 0ct 2017

REMUNERATION COMMITTEE

Chairman
Mr Wong Kok Seong [6]
En Auzir Bin Mohd Yaacob [7]

Member
Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif

Note:-
[6] Appointed as Chairman on 24 0ct 2017
[7] Resigned as Chairman on 24 0ct 2017

COMPANY SECRETARY

Ms Siew Suet Wei
MAICSA 7011254

Ms Lim Yen Teng
LS0010182

Ms Tee Siew Lee
LS0009570

REGISTERED OFFICE

5-9A The Boulevard Offices
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia.
Tel : +603 2282 6331
Fax : +603 2201 9331

AUDITOR

Baker Tilly Monteiro Heng
(AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5,
Bangsar South City
59200 Kuala Lumpur, Malaysia.
Tel : +603 2297 1000
Fax : +603 2282 9980

SHARE REGISTRAR

Symphony Share Registrars
Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Malaysia.
Tel : +603 7841 8000
Fax : +603 7841 8151

PRINCIPAL BANKERS

CIMB Bank Berhad
Malayan Banking Berhad

SOLICITORS

Mathews Hun Lachimanan
Advocates & Solicitors
10-3, 3rd Mile Square
151, 3rd Mile, Jalan Kelang Lama
58100 Kuala Lumpur, Malaysia.
Tel : +603 7988 1000
Fax : +603 7984 1000

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia
Securities Berhad
Stock Code: 7243

WEBSITE

www.bioosmobhd.com

Group Structure

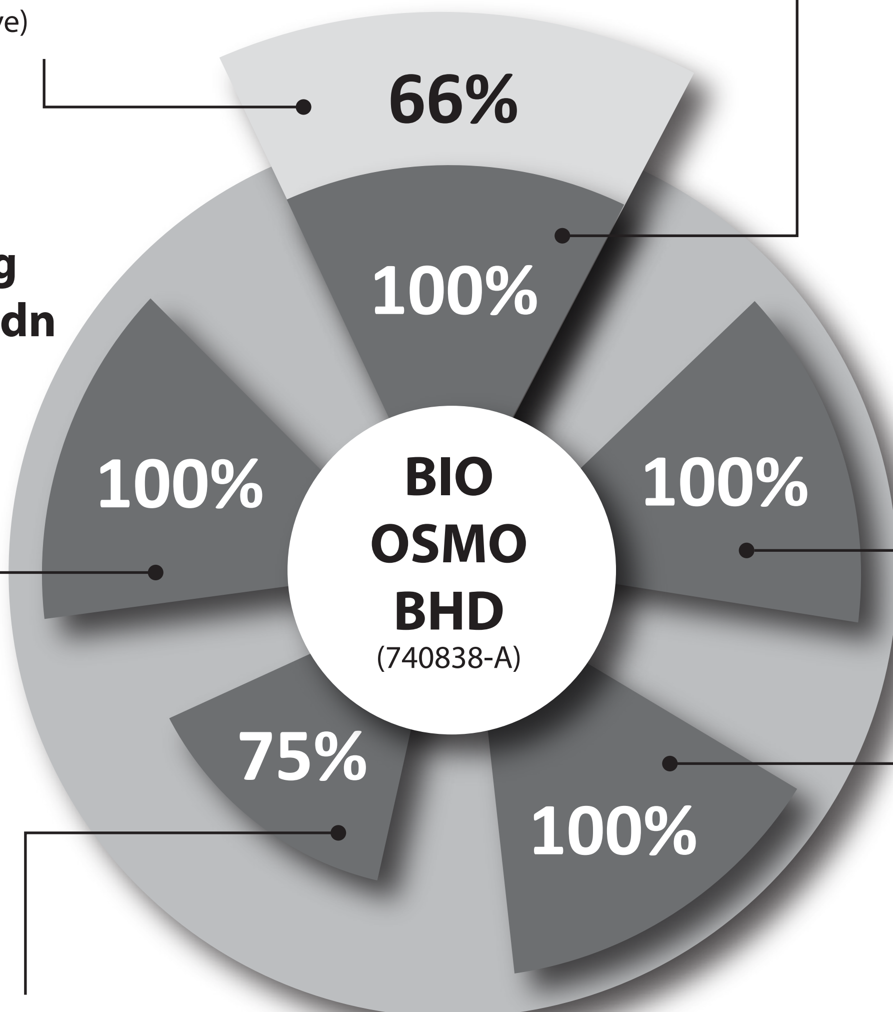
BIO OSMO BERHAD

Amshore Holdings Sdn Bhd
(463528-P)
Process, manufacture and distribute of drinking water and other beverages

Amshore KL Sdn Bhd
(1021263-M)
(Inactive)

Al Maurid Oil & Gas Sdn Bhd
(1043077-V)
(Dormant)

Morning Valley Sdn Bhd
(819507-A)
(Inactive)



Intra Magnum Sdn Bhd
(1079050-P)
Hotels and resorts management and operation; hotels and resort properties development and Investment

Amshore Vista Sdn Bhd
(891403-V)
(Dormant)

Profile of Board of Directors
& Key Management Staff

SHAHRIZAL HISHAM BIN DATO' SETIA ABDUL HALIM
Malaysian, aged 49, Male
Executive Director

En Shahrizal was appointed to the Board on 1 March 2014. He graduated with a Bachelor of Law (Honours) from The University of Wolverhampton in the United Kingdom. He began his legal practise with Messrs Sri Ram, Advocate & Solicitors. He is now a partner at another legal firm, Lawrence Hisham & Co., Advocates & Solicitors. He specialises in company and corporate matters and was actively involved in legal advice and corporate consulting works with several large companies with businesses in the oil and gas and telecommunication industries, some of which are listed on Bursa Malaysia. Prior to embarking on legal practice, he was attached to the Corporate Banking Department of D&C Sakura Merchant Bankers Berhad from 1993 to 1995.

He attended all six (6) Board Meetings held during the period from 1 July 2016 to the financial year ended 30 June 2017. He is a director and shareholder of Al Maurid Resources Sdn Bhd, a substantial shareholder of the Company. Save as disclosed above, he has no family relationship with any other director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 5 years other than traffic offences, if any.

AZRIN MIRZHAN BIN KAMALUDDIN
Malaysian, aged 45, Male
Executive Director

En Azrin was appointed to the Board on 24 October 2017. He graduated with a Bachelor of Laws LL.B (Honours) from London School of Economics and Political Science, University of London, United Kingdom in 1995. He has over two decades of top level management experience with an impeccable record under his stewardship. He earlier years were in the manufacturing industry followed by a stint in the Securities Commission of Malaysia. He subsequently spent a total of 10 years with a Malaysian diversified conglomerate, with the last four years as Country Head of its Indonesian subsidiary which was involved in the development of a luxury villas in Bali. Azrin joined Impiana Sdn Bhd as its Chief Operating Officer in 2015, a position he still holds.

He does not have any directorship in any public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences, if any.

WONG KOK SEONG
Malaysian, aged 48, Male
Independent Non-Executive Director
Chairman of Audit Committee
Chairman of Remuneration Committee
Member of Nomination Committee

Mr Wong was appointed to the Board on 16 July 2007. He is a Chartered Accountant and holds a Masters of Business Administration from Open University, United Kingdom. He is a member of the Malaysian Institute of Accountants (MIA) and also a Fellow Member of the Association of Chartered Certified Accountants (ACCA).

Having spent 15 years in the United Kingdom, he gained extensive exposure with an accounting firm, Appleby & Wood, where he was an audit partner from 1999 to 2005. On his return to Malaysia in 2006 and upon obtaining his audit license, he joined an audit firm Messrs. Hasnan THL Wong & Partners, and is currently its Managing Partner. He is also an Independent Non-Executive Director of PNE PCB Berhad, Trive Property Group Berhad and MNC Wireless Berhad.

Mr Wong attended all six (6) Board Meetings held during the period from 1 July 2016 to the financial year ended 30 June 2017. He has no family relationship with any other director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 5 years other than traffic offences, if any.

PROF. DR MOHD AMY AZHAR BIN HAJI MOHD HARIF
Malaysian, aged 44, Male

Independent Non-Executive Director
Chairman of Nomination Committee
Member of Audit Committee
Member of Remuneration Committee

Prof. Dr Amy was appointed to the Board on 18 August 2011 as representative of Perbadanan National Berhad (PNS), a former substantial shareholder of the Company. He was re-designated as Independent Non-Executive Director on 12 March 2014 upon PNS's cessation as a substantial shareholder of the Company.

He holds a Ph.D in Franchising and Financial Planning from the University of Southern Queensland, Australia. He is also a Chartered Accountant and a member of the Malaysia Institute of Accountants, as well as a member of the Malaysian Institute of Management. He is currently a professor at the School of Economics, Finance and Banking, Universiti Utara Malaysia. He is highly regarded as franchise industry expert and Franchise Consultant. His extensive exposure in franchise industry involved research, consultation and presentation of papers relating to franchise, finance and entrepreneur locally and abroad.

He attended all six (6) Board Meetings held during the period from 1 July 2016 to the financial year ended 30 June 2017. He has no family relationship with any directors or major shareholders of the Company, and has no conflict of interest with the Company. Within the last 5 years, he has not been convicted for any offence other than traffic offence.

DATUK MOHAMMAD KAMAL BIN YAN YAHAYA
Malaysian, aged 63, Male
Non-Independent Non-Executive Director

Datuk Kamal was appointed to the Board on 24 October 2017. He graduated with a Bachelor of Arts in International Relations (Honours) Degree from University of Malaya in 1977, and a Master of Science in Foreign Service from Georgetown University, USA in 1987. Datuk Kamal is a career diplomat, serving as Malaysian Ambassador to various countries such as Belgium, Luxembourg, European Union, Brazil, Cuba, Dominican Republic, Haiti, Jamaica and The Bahamas. He was the Personnel Envoy of the Prime Minister of Malaysia to countries such as Egypt, Turkey, Saudi Arabia, Thailand and Namibia. He concurrently also served as Special Advisor to the Prime Minister for International Relations. He retired from the diplomatic corps in 2014.

He currently sits on the board and as Chairman of Malakoff Utilities Sdn Bhd, a wholly-owned subsidiary of Malakoff Corporation Bhd. He does not hold any directorship in any public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences, if any.

DATO' YAHYA BIN A. JALIL
Malaysian, aged 61, Male
Non-Independent Non-Executive Director

Dato' Yahya was appointed to the Board on 24 October 2017. He graduated MARA Institute of Technology, Malaysia with a Diploma in Town & Country Planning in 1978. He has been involved in various business activities which include construction and facilities management in Malaysia since 1977.

He founded IC&E Group Sdn Bhd in 1991 and has completed numerous mega infrastructure and property projects. He is also the founder of several companies under the IBEX Group which amongst others, include Gerbang Perdana Sdn Bhd which was the design and build contractor for the Integrated Customs, Immigration & Quarantine (CIQ) Complex in Johor Bahru. His other notable business ventures were Harley-Davidson of Malaysia and H2O Sports, the organiser of the Formula 1 Powerboat Championship from 2001 to 2004.

He does not hold any directorship in any public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences, if any.

Profile of Board of Directors
& Key Management Staff (con't)

DATO' LATT SHARIMAN BIN ABDULLAH
Malaysian, aged 49, Male
Non-Independent Non-Executive Director

Dato' Latt Shariman was appointed to the Board on 24 October 2017. He obtained a Bachelor of Laws (Honours) degree in 1994 from the International Islamic University, Malaysia, and was admitted to the Malaysia Bar during the same year.

He has over 20 years of experience in corporate and legal arena, specialising in public international laws, advising both corporate and government-linked companies. Between 2006 and 2008, he served as Political Secretary to the Economic Planning Unit of the Prime Minister Department. His public career ensued thereon as a Special Function Officer to various Governmental Ministries, including the Prime Minister's Office from 2008 to 2014.

Dato' Latt is presently a senior partner of a legal firm, Kow, Lau & Ezra, Advocates & Solicitors. He is also the President of the Malaysia-Thailand Friendship Association (MTFA), the President of the Electronic Sports Association of Malaysia (eSM) and a Council Member of the National ICT Association (PIKOM).

He does not hold any directorship in any public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences, if any.

CHANG HOW WENG
Malaysian, aged 52, Male
Group Chief Operating Officer

Mr Chang joined Bio Osmo Berhad in 2009 as a member of the Executive Committee (EXCO) until it was subsequently dissolved in March 2011 where he assumed his current position. Based at the corporate head office, his main responsibilities are to oversee the business strategies and corporate development of the Company. He assists the Executive Director on corporate planning, operations and pricing strategies for the Group's various products.

Mr Chang holds a Bachelor of Business Administration (cum laude) degree, majoring in Finance & Banking from the University of Mississippi, USA. He has over 25 years of working experience in the financial services sector. During the last seven years with the Company, he has acquired considerable knowledge and experience in the production, sales and marketing of drinking water and beverage industry.

He has no family relationship with any other director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 5 years other than traffic offences, if any.

Executive Director's Letter to Shareholders
and Management Discussion & Analysis

Dear Shareholders,

I have the honour to write to you with regards to our Group's overview during the last 12 months and the prospects that lie ahead for us. Bio Osmo is an investment holding company and through its wholly-owned subsidiary, Amshore Holdings Sdn Bhd ("Amshore") is mainly involved in the business of processing, manufacturing and distribution of drinking water and other beverages. Upon the recent conclusion of the subscription in Intra Magnum Sdn Bhd ("Intra Magnum"), the Bio Osmo Group has diversified into hotels and resorts management and operations, hotel and resort property development and investment.

In this momentous year for the Bio Osmo Group, I am pleased to inform my fellow shareholders that our efforts in searching for a new income base has begun to bear fruit. On 27 October 2016, the Company completed the subscription of a 75% equity stake in Intra Magnum. The remaining 25% equity stake is held by Impiana Sdn Bhd, one of the largest home-grown hotel groups which owns and operates a number of hotels and resorts in Malaysia as well as key tourist destinations in the South-East Asia region under the Impiana brand name. The participation of Bio Osmo into Intra Magnum has enabled the Group to diversify into the hospitality business, in addition to our on-going bottled drinking water manufacturing operations.

In a snapshot, the contribution from Intra Magnum has significantly boosted our overall revenue and earnings which, to a certain extent, compensated against the continued losses incurred by our bottled water manufacturing business. I will go through the financial performances of both the hospitality and bottled water manufacturing operations in greater length in the Management Discussion and Analysis section below.

Bio Osmo Group is faced with continuous challenges in the bottled drinking water manufacturing business due to continuous pricing squeeze and rising production costs, and at the same time affected by capacity constraint. In our Group's efforts to re-strategise our financial and capital resources, Amshore had in December 2016 completed the disposal of its land and factory building located in Batu Pahat, Johor. The said land and factory building, which was subsequently tenanted by Amshore with a lock-in rental clause for a period of nine years, houses the existing bottled drinking water manufacturing operations of the Bio Osmo Group.

Moving forward, it is anticipated that the income of Bio Osmo Group will be generated mainly from the hospitality business. As mentioned in our Circular to Shareholders dated 2 February 2016, Intra Magnum owns three parcels of seafront commercial land, which were subsequently amalgamated into two parcels, located at the site of a hotel resort formerly known as Impiana Resort Cherating. Intra Magnum, together with Impiana Hotel Group, will jointly redevelop the resort on Intra Magnum's land as well as other plots of land owned by Impiana into a new beach resort containing service suites and villas. With a combined gross development value estimated at over RM300 million, this resort will be named as Impiana Resort & Residences Cherating.

Besides this Cherating development project, Intra Magnum has also been granted hotel management contracts for Impiana Hotel Ipoh, Impiana Resort & Residences Cherating and Impiana Private Villas Tioman Island for a period of 10 years, with an option to extend for a further five years; as well as technical services consultancy for the development of Impiana-branded hotels located in Cherating, Tioman and Pangkor in Malaysia; and Ubud, Bali in Indonesia. Immediate revenues derived are hotel management fees from Impiana Hotel Ipoh and the technical services consultancy fees for Impiana Resort & Residences Cherating, as well as Impiana Private Villas Ubud. In the longer term, Intra Magnum will also be entitled to partial development profits from the Cherating development project as well as hotel management income from the future operations at Cherating and Tioman.

The highlights of the Bio Osmo Group's financial information for the past 5 financial years are as follows:

	FYE 30 Jun 17 *(RM'000)*	**18-mth FPE 30 Jun 16** *(RM'000)*	**FYE 31 Dec 14** *(RM'000)*	**18-mth FPE 31 Dec 13** *(RM'000)*	**FYE 30 Jun 12** *(RM'000)*
Revenue	9,106	10,632	5,074	15,863	7,783
(Losses) before interest, taxes, depreciation and amortisation ("EBITDA")	(7,131)	(3,660)	(17,119)	(11,375)	(3,547)
Finance costs	-	-	-	(412)	(1,533)
(Loss) before taxation	(9,842)	(7,099)	(20,528)	(16,108)	(8,194)
(Loss) after taxation	(11,072)	(7,185)	(20,528)	(19,502)	(9,213)
Net assets ("NA")	35,879	23,188	30,373	44,419	13,236
Total assets	45,950	28,090	37,080	49,722	63,218
Borrowings	-	-	-	515	40,542
Liabilities/Equity (times)	0.31	0.21	0.18	0.12	3.78
No. of shares ('000)	795,363	498,660	498,660	355,360	200,000
(Loss) per share (sen)	(1.39)	(1.44)	(4.12)	(5.48)	(4.61)
NA per share (sen)	4.51	4.65	6.09	9.75	6.62
Dividend per share (RM)	-	-	-	-	-

The summary of the trading highlights of Bio Osmo's shares traded on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") during the past 5 years are as follows:

	FYE 30 Jun 17 *(RM'000)*	**18-mth FPE 30 Jun 16** *(RM'000)*	**FYE 31 Dec 14** *(RM'000)*	**18-mth FPE 31 Dec 13** *(RM'000)*	**FYE 30 Jun 12** *(RM'000)*
	2016	2015	2014	2013	2012
	(RM)	(RM)	(RM)	(RM)	(RM)
Year high	0.07	0.11	0.25	0.20	0.23
Year low	0.04	0.05	0.08	0.09	0.11
Year close	0.05	0.05	0.08	0.19	0.14
Trading volume (mil shares)	158.71	337.70	943.65	187.22	115.79
Market capitalisation (as at FYE) (RM'000)	39,768	24,933	39,893	86,518	28,000

MANAGEMENT DISCUSSION & ANALYSIS

With the maiden contribution from Intra Magnum, the Group has reported a higher revenue of RM9.11 million, representing a 28.5% increase from the annualised 12-month revenue from the previous financial year of RM7.09 million. After the completion of the subscription of 75% equity interest in Intra Magnum, the Group's hospitality operations had churned in RM4.70 million in hotel management revenue and technical fees, vis-à-vis RM4.41 million sales revenue from the bottled water manufacturing business. This represents about 52% of the Group's revenue.

The Group had incurred a loss before tax of RM9.84 million for the financial year under review as compared to an annualised loss before tax of RM4.73 million for the previous financial period. The increased losses for the financial period under review was mainly due to the RM4.62 million in one-off expenses incurred on impairment loss on property, plant and equipment; and RM1.44 million in professional fees for corporate exercises undertaken during the financial year. Notwithstanding the loss before tax incurred, the Group's cash position had improved tremendously. The cash and cash equivalents of the Group at the end of the financial year under review stood at RM2.08 million as compared to RM0.62 million for the previous financial period. The net changes in cash and cash equivalents for the current financial year under review was a cash inflow of RM1.46 million as compared to a RM0.58 million in net cash outflow for the previous financial period. The Group's cash flow for the financial year under review was boosted by the total proceeds of RM17.00 million received from private placement exercises completed during the financial year.

Since the completion of the subscription of equity interest in Intra Magnum, we anticipate that the Group would be able to generate sufficient funds from its operations to fund its working capital. However, it also should be noted that the Group currently does not have any borrowings. As such, the option of generating additional working capital through bank loans is open should the need arise.

The Group's total assets has increased from RM28.09 million as at 30 June 2016 to RM45.95 million as at 30 June 2017, representing an increase of RM17.86 million. This increase was mainly due to the increase in property, plant and equipment by RM13.35 million to RM23.08 million and recognition of intangible assets of RM13.53 million. These were mainly attributable to the assets recognised as a result of the subscription of equity interest in Intra Magnum. The increase in the Group's total assets was offset by the sale of the Group's factory located in Batu Pahat, Johor which had a book value of RM11.54 million.

The Group's total liabilities had also increased from RM4.90 million to RM10.92 million, representing an increase of RM6.02 million. This increase was mainly due to the recognition of liabilities arising from the normal course of business for Intra Magnum.

CORPORATE EXERCISE

During the financial year, the Company had implemented the following corporate exercises:

(i) diversification of core business of Bio Osmo to include the business of management and operation of hotels and resorts, hotel property investment and hotel development, the approval of which was obtained at an extraordinary general meeting held on 24 February 2016;

(ii) reduction of the issued and paid-up share capital of Bio Osmo via the cancellation of RM0.15 from the par value of each existing share, which was effected on 6 May 2016;

(iii) placement of new ordinary shares representing 45% of the issued and paid-up share capital of Bio Osmo, which was completed on 26 October 2016 ("First Placement");

(iv) subscription of 75% equity interest in Intra Magnum for a total subscription price of RM18.75 million, which was completed on 27 October 2016;

(v) disposal of land and factory by Amshore to Pentas Prisma Sdn Bhd for a disposal consideration of RM12.00 million which was completed on 29 December 2016, together with a lock-in tenancy of the said factory for a period of nine years commencing upon completion of the disposal; and

(vi) placement of up to 72,305,700 new ordinary shares representing 10% of the share capital of Bio Osmo, which was completed on 6 June 2017 ("Second Placement").

During the financial year under review, the Company had successfully raised proceeds of RM17.0 million. The First Placement, which raised RM11.22 million, was mainly utilised for the subscription of a 75% equity stake in Intra magnum as well as defray expenses in relation to the corporate exercise.

The Second Placement, which raised RM5.78 million in net proceeds, was undertaken to mainly improve the Group's cashflow position without relying on bank borrowings which would otherwise incur additional interest costs. About RM4.2 million were allocated to the bottled drinking water division, utilised for working capital which included repayment to trade creditors and the financing support of Amshore. Some funds were also apportioned toward the repair, maintenance and upgrading work on plant and machineries. The balance RM1.5 million of the proceed raised has been allocated as standby funds for potential new business investments as and when opportunity arises.

With the two share placement exercises, the Company's balance sheets were enhanced whereby the issued share capital has risen from 498.66 million shares as at 30 June 2016 to 795.36 million shares now.

HOSPITALITY SERVICES – Intra Magnum

The Group's hospitality operations via Intra Magnum contributed RM4.70 million in revenue to the Group during the financial year under review after the completion of the subscription of equity interest in Intra Magnum. This accounted for approximately 52% of the Group's revenue for the financial year under review.

Of the revenue derived by Intra Magnum, RM0.2 million was attributable to management fees charged for the management of the operations of Impiana Hotel Ipoh while RM4.5 million was derived from fees as the technical service consultant to Impiana Resorts & Residences Cherating and Impiana Ubud. The commencement of construction of Impiana Resorts & Residences Cherating is earmarked for the fourth quarter of 2017, while the development of Impiana Ubud is 12% completed as at 30 June 2017.

In addition to the abovementioned revenues, Intra Magnum is also in position to recognise the following future revenues:

(i) development revenue from the sale of services residences to be developed as part of Impiana Resorts & Residences Cherating;

(ii) development consultancy fees for the development of Impiana Resorts & Residences Cherating, Impiana Resorts & Residences Pangkor and Impiana Private Villas Tioman; and

(iii) recurring income from hotel management fees from Impiana Hotel Ipoh, the future Impiana Resorts & Residences Cherating and Impiana Private Villas Tioman.

In view of the above, the hospitality business of the Group is expected to be the main revenue contributor towards the Group's aim of returning to profitability. We will continue to pursue new opportunities in this area, as we believe this has been proven a success formula for the Group.

BOTTLED WATER MANUFACTURING – Amshore

Our existing bottled drinking water manufacturing business via Amshore registered a revenue of RM4.15 million during the financial year, representing a 11.9% decline over the annualised last financial period. Under the backdrop of a challenging business environment with selling prices succumbing to intense competition, this division continued to incur losses. Operating losses, before adjustment for non-cash items such as depreciation, impairment on property, plant and equipment etc. was RM3.32 million. The losses were mainly caused by the low production rate of the plant, as production was interrupted during the February to April 2017 period for upgrading works.

The bulk of our plants and machineries are over ten years old, with some requiring urgent repair and upgrades. The maintenance work, though critical and urgent, has been delayed due to tight cashflow position during the past few years. With the cash inflow from the disposal of the main factory building, and the proceed from the private placement, we were in a better position to undertake these upgrading works.

I am pleased to inform you that the upgrading works have been completed and Amshore is no longer succumbing to capacity constraints. The replacement of certain obsolete and unusable equipment will ensure the readiness of the plant, and will be in a position to increase our production volume to meet our sales targets. With that, we envisage that our plant will be able to achieve the economies of scale and expect a turnaround situation this financial year.

We have recently engaged a new management team to run and operate the bottled water business. They are steadfast in their efforts to boost sales, while controlling the production cost, and at the same time preserving the product quality which the management team and production staff are resolute to uphold at all times. As a result, we have started to see the efforts paying off, with a gradual rise in customer base and sales volume.

RISK FACTORS

Hospitality Services

In addition to the inherent risks to the tourism and hospitality industries such as economic, political, natural disasters and terrorism, the Group believes that the hospitality business is also subject to the following risks.

(i) Competition and reputation risk

A portion of the Group's profits derived from the hospitality businesses involves earnings from the management of Impiana Hotel Ipoh which operates in a highly competitive market due to new entrants causing an excess supply of hotel rooms in the vicinity. This has resulted in a downward pressure on room and occupancy rates which in turn could cause a decrease in market share and ultimately a decrease in revenues generated from management fees charged.

As the hospitality business of the Group is operated under the banner of the Impiana brand, the operations of Intra Magnum would be exposed to the inherent reputational risks affecting the Impiana Hotel Group. As such, the Group's hospitality business would be affected should there be any adverse occurrence affecting the Impiana Hotel Group. This would include, and not limited to, a decrease in revenues attributable by a decrease in occupancy rates or unrecoverable damage to the Impiana brand name.

In order to mitigate this risk, Intra Magnum is committed to upholding the high standards associated with the Impiana brand in the management of Impiana Hotel Ipoh. Being in the hospitality business for over 25 years, the Impiana Hotel Group has built a successful track record which not only promotes brand recognition but also customer confidence. As such, Bio Osmo would be able to lean on the expertise of its partner in Intra Magnum, namely Impiana Sdn Bhd, as it ventures into the hospitality business. In addition, we believe with the new additions to the Board, the Bio Osmo Group would be better equipped to successfully overcome the challenges faced in its new hospitality business venture.

(ii) Development risk

It is to be noted that a portion of the future revenues to be generated by Intra Magnum as a landowner includes the development revenues to be generated from the sale of service residences which form part of the Impiana Resorts & Residences development. As such, Intra Magnum would be subject to the inherent risks in the property development industry, such as completion risk, adverse changes to the demand for investment hospitality properties, purchaser defaults, risk of increasing labour and raw material costs as well as taxation, legal and environmental framework affecting the property development industry.

As all costs of the development shall be borne by Impiana Cherating Sdn Bhd ("ICSB"), the developer of the Impiana Resorts & Residences development project, and ICSB will indemnify Intra Magnum from and against any distresses, actions, proceedings, claims and demands, cost damages and expenses as may be suffered by Intra Magnum attributable to the said development project. As such, to a large extent, the risks to be faced by Intra Magnum are assumed by ICSB. Nonetheless, Intra Magnum will still be exposed to the overall risks whereby Intra Magnum may not be able to derive any profits or earnings in the event the Impiana Resorts & Residences Cherating project cannot be completed or is aborted.

Bottled Water Business

The bottled drinking water business operates within its own ecosystem with some inherent business risks attached. The Group believes that the risk factors can generally be classified under several main areas:

(i) Credit risk

In general, Amshore provides one month credit term to its customers. In some instances, the credit term can go up to two months or even longer. Therefore, counterparty risk on potential delay in payments could result in rising trade receivables beyond control. If unchecked, this may eventually give rise to the occurrence of bad debt, which will affect the cashflow and profitability of the business.

The Finance team has been steadfast in monitoring the day-to-day collection status, and review the aging report diligently. Any sign of delay or potential non-payment will be taken up to the management level for immediate recovery action. We have also in place a stringent credit approval guidelines and control processes, in particular to new customers, where these new customers will have to go through a thorough evaluation process before credit terms are granted.

(ii) Currency fluctuation risk

About 60% of Amshore's bottled drinking water products are exported to Singapore, with pricing and payment in Singapore Dollars. Whilst the weakening of the Ringgit rate will be beneficial to us, the opposite could happen if the Ringgit appreciates in value against the Singapore Dollar.

The pricing for our main raw material, polyethylene terephthalate ("PET") resin, although is transacted in Ringgit Malaysia, trends closely with the RM:US Dollars exchange rate, as well as the movements in petroleum product prices. Hence, any fluctuation in foreign currency exchange rates for Ringgit Malaysia will have an impact on the production cost.

Whilst we do not practise forward hedging for foreign currencies, we do monitor our forex exposure closely, and manage it to an acceptable level. To a certain extent, we have a natural hedge as any weakness in the Ringgit value which may result in higher cost for raw material purchases would be offset by the Singapore Dollar revenue proceeds.

(iii) Operations risk

Amshore operates an integrated production system, as we also manufacture our own PET bottles, up until the packing of finished products. Any hiccup within a segment of the plant may cause interruption to the entire production process, which will cause delays in the production and delivering schedule.

At our factory, we take a holistic approach in ensuring all plant and machineries are monitored closely at all times. Our in-house technicians conduct periodic maintenance and servicing of the machineries and generators to ensure they are constantly at the best possible condition and operating at optimal levels. We also stock up sufficient replacement parts to minimise down time when parts replacement work is required.

BOARDROOM CHANGES

Very recently, on the recommendation of our single largest shareholder, Bio Osmo appointed four new members to the Board. They are all 'heavy-weights' in the corporate world and each of them bring with them a long list of accolades and expertise. En Azrin Kamaluddin, the Chief Operating Officer of Impiana Hotel Group is our new Executive Director, who will be overseeing the hospitality division, while I will continue to take charge of the bottled drinking water business. Datuk Kamal bin Yan Yahaya, Dato' Yahya bin A. Jalil and Dato' Latt Shariman bin Abdullah are the new Non-Independent Non-Executive Directors. I am confident that these gentlemen, together with the existing board members, will help steer the Group to greater heights in the foreseeable future.

At the same time, the Board has reluctantly accepted the resignation of one of our pioneer members, En. Auzir bin Mohd Yaacob. En Auzir was appointed as a director with the Company since our IPO in 2007, and has been serving diligently with the Group for over 10 years. His departure will be greatly missed. We wish you all the best, Auzir.

The current Board consists of seven members, comprising two Executive Directors, three Non-Independent Non-Executive Directors, and two Independent Directors.

CONCLUSION

I would like to conclude this letter by expressing my deepest appreciation and gratitude to all those who have worked tirelessly and supported the Group in enabling us to achieve the success that we have today. I would also like to thank our customers and business partners for their continued support and commitment. My appreciation also goes to the authorities and professional teams, such as the investment bankers, auditors, solicitors, valuers etc. Thank you for your hardwork and valuable advice.

Finally, to my esteemed colleagues and fellow Board members, my sincere and heartfelt appreciation for your invaluable contributions and support to enable the Group to move forward in our time of need. Let us continue to work together and move forward to make the Group great for the years ahead, Insha Allah.

SHAHRIZAL HISHAM BIN DATO' SETIA ABDUL HALIM
Executive Director

Statement of Corporate Governance

The Board of Directors of Bio Osmo Berhad (the "Board") recognises the importance of adopting high corporate governance standards in its efforts to enhance shareholder value, besides safeguarding stakeholders' interest. In its application of pertinent governance practices, the Board has taken into consideration the enumerations of the Malaysian Code on Corporate Governance ("the Code") and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board is pleased to provide the Statement of Corporate Governance, which outlines the corporate governance practices that are currently in place.

PRINCIPLE 1 – ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES

The Board has the overall responsibility to lead and control the Group and assumes responsibility for the strategic direction, corporate governance, business conduct and risk management of the Group.

The specific duties of the Board and a formal schedule of matters reserved for the Board and those delegated to Management are spelt out in the Board Charter. It is the practice of the Board to deliberate on significant matters that concern the overall Group business strategy, acquisition or divestment, major capital expenditure and significant financial matters as well as review of the financial and operating performance of the Group.

To enhance its effectiveness, the Board has established three (3) Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, to examine specific issues within their respective terms of reference, as approved by the Board, and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board. The Board reviews the Committees' authority and terms of reference from time to time to ensure its relevance and enhance its efficacy.

The following sections provide explanations on how the other Recommendations of Principle 1 of the Code have been observed by the Board.

Board Charter, Code of Ethics & Conduct and Whistleblowing Policy & Procedure

The Board has established a Board Charter as a point of reference for Board activities. The Board Charter clearly delineates the roles, duties and responsibilities of the Board, Board Committees and Management. It provides a structured guidance regarding their various responsibilities of the Directors in carrying out their leadership and supervisory role, as well as in discharging their duties towards the Group as well as boardroom activities. Salient features of the Board Charter are available on the Company's corporate website at www.bioosmobhd.com.

In addition to the Board Charter, the Board has formalised and adopted the Code of Ethics & Conduct for Directors as well as the Whistleblowing Policy & Procedure which are publicly available on the Company's corporate website.

Sustainability

The Board reviews the strategies and direction of the Group and each business unit within the Group. The Board takes into account the business, industry and regulatory environment in which the Group's businesses operate in. It also takes keen interest to ensure that each of these business units is in compliance with statutory regulations on safety and occupational health, and to promote environmentally friendly policies throughout the Group.

Access to information and advice

The Board meets at regular intervals during the financial year. The agendas for the Board meetings are circulated in advance to the Directors. The Directors are also supplied with the detailed reports and relevant supporting documents pertaining to the financial performance, investments and strategic direction, to assist them in making well-informed decisions. All rationales of proposals, issues discussed and decisions made at the Board meetings are properly recorded to provide clear historical records and references.

In addition to Board papers, the Board is notified of any corporate announcements released to Bursa Securities and is also kept informed of the requirements and updates issued by the various regulatory authorities.

The Board members are given unrestricted access to all information to assist them in discharging their duties. Should it be deemed necessary, the Board members shall engage independent professionals at the Company's expense on specific issues in order to equip the Board members with adequate knowledge on matters being deliberated.

Company Secretary

Aside from discharging her duties on the keeping of the registers of the Company, the Company Secretary is also responsible to advise the Board from time to time on issues pertaining to compliance with Bursa Securities Listing Requirements, laws, rules, procedure and regulations affecting the Group, as well as principles of best corporate governance practices. The Company Secretary also makes efforts to remind the Directors of their obligations and adherence to matters pertaining to disclosure of any conflict of interest in transactions involving the Company, as well as to alert the Directors on close period dealings in securities and restrictions on disclosure of price-sensitive information.

The Company Secretary attends all Board and Committee Meetings, and ensure that proceedings of the Board Meetings and decisions made are accurately and sufficiently recorded. The records are properly kept for the purposes of meeting statutory obligations, as well as obligations arising from the listing requirements and other regulatory requirements.

PRINCIPLE 2 – STRENGTHENING THE BOARD'S COMPOSITION

As of the date this Statement, the Board consists of seven (7) members, comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. This composition fulfils the Listing Requirements of Bursa Securities, which stipulate that at least two (2) Directors or at least one-third of the Board, whichever is higher, must be independent.

The profile of each Director is set out in this Annual Report. The Directors, with their diverse backgrounds and qualifications, collectively provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, legal and technical areas of the industries the Group is involved in.

The Company recognises that a diverse and talented workforce is a competitive advantage. However, the Company does not intend to formalise any specific target on women Directors as it believes the Company should be on-boarding Directors who bring with them the requisite skills and experience to enable the Company realise its corporate strategies and objectives.

At the date of this Statement, the Company has no female directors and no female senior executives.

<u>Nomination Committee</u>

The Nomination Committee was established on 23 October 2007 to consider candidates for directorship and Board Committee membership, and to review the effectiveness of the Board, through performance assessment of the Board, Board Committees and individual Directors. The Nomination Committee comprises of three members, all of whom are independent non-executive directors:

- Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif (Chairman)
- Mr Wong Kok Seong (Member)
- En Auzir bin Mohd Yaacob [a] (Member)

Note:
(a) En Auzir bin Mohd Yaacob resigned as Member of the Nomination Committee w.e.f. 24 October 2017.

The Nomination Committee operates within defined terms of reference that has been drawn up in accordance with the best practices prescribed by the Code. The terms of reference of the Nomination Committee are available for reference at the Company's corporate website.

<u>Annual Assessment</u>

The Nomination Committee is also tasked to conduct an annual appraisal of each Director, as well as the Board as a whole, and to review the effectiveness of the independence of its directors and contribution of each Board member and the entire Board. The Nomination Committee met once during the financial period under review. The Nomination Committee was guided by the Corporate Governance Guide – Towards Boardroom Excellence, and conducted an annual assessment of the Board, Board Committees and individual Directors by taking into consideration the following key aspects for assessment:

- appropriate size, composition, independence, mix of skills and experience within the Board and the Board Committees;
- clear definition of the Board and Board Committees' roles and responsibilities;
- functioning of the Board and Board Committees in a productive, objective, timely, effective and efficient manner;
- open communication of information and active participation within Board and Board Committees; and
- proper discharge of responsibilities and leadership by the Chairmen of the Board and Board Committees.

Based on the review of the Nomination Committee, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company and each Board member have performed satisfactorily, and that the composition of the Board is effective.

Process for selection and appointment of new directors

The Nomination Committee has in place a formal process for the selection of new directors to increase transparency of the nomination process in identifying and evaluating nominees for directors. The Nomination Committee leads the process as follows:

- The Nomination Committee evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the Nomination Committee determines the role and the key attributes that an incoming director should have.

- The Nomination Committee taps on the resources of directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process.

- The Nomination Committee meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.

- The Nomination Committee recommends the most suitable candidate to the Board for appointment as director.

Re-appointment / re-election of directors

All directors submit themselves for re-election at regular intervals of at least once every three (3) years. Article 127 of the Company's Constitution provides that one-third of the directors (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation and be subject to re-election at the Company's Annual General Meeting.

In addition, Article 132 of the Company's Constitution provides that any newly appointed director during the financial year must retire and submit him/herself for re-election at the next Annual General Meeting following his/her appointment. Thereafter, he/she is subject to be re-appointed at least once every three (3) years.

In recommending the re-appointment or re-election of Directors, the Nomination Committee took into account the following:

- character, knowledge, expertise, professionalism, integrity and time availability;

- the results of the assessment on individual Directors; and

- in the case of Independent Non-Executive Directors, their abilities to discharge such responsibilities and functions as expected from Independent Non-Executive Directors.

Subsequent to the financial year ended 30 June 2017, the Nomination Committee carried out and reported to the Board the outcome of the following key activities:

(a) reviewed the required mix of skills, experience and other qualities of the Board;

(b) assessed the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director including his time commitment, character, experience and integrity;

(c) assessed the effectiveness and performance of the Executive Director;

Re-appointment / re-election of directors (con't)

(d) assessed the independence of its Independent Directors, particularly in relation to the nine (9) years limit on the tenure of Independent Directors;

(e) recommendation for the re-election of the Director who was retiring and seeking for re-election at the forthcoming Annual General Meeting of the Company;

(f) recommended the continuance of Independent Directors exceeding the nine (9) years tenure limit; and

(g) recommended for the Directors to determine their training programs as they are in a better position to assess their training needs.

Proposed appointment of member(s) to the Board to fill vacancy and proposal for re-election or re-appointment of Directors seeking re-election or re-appointment at the Annual General Meeting are recommended by the Nomination Committee to the Board for approval or tabling at the Annual General Meeting for shareholders' approval, as the case may be.

The Company Secretary is tasked to ensure that all appointments are properly made and that all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements of Bursa Securities.

Remuneration Committee

The Remuneration Committee was established on 23 October 2007 to assist the Board on fair remuneration practices and attracting, retaining and motivating Directors and make relevant recommendations to the Board. The Remuneration Committee comprises of the following three members, all of whom are independent non-executive directors:

- Mr Wong Kok Seong[a] (Chairman)
- En Auzir bin Mohd Yaacob[b] (Chairman)
- Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif (Member)

Note:
(a) Mr Wong Kok Seong was appointed as Chairman of the Remuneration Committee w.e.f. 24 October 2017.
(b) En Auzir bin Mohd Yaacob resigned as Chairman of the Remuneration Committee w.e.f. 24 October 2017.

The Remuneration Committee operates within defined terms of reference that has been drawn up in accordance with the best practices prescribed by the Code. The terms of reference of the Remuneration Committee are available for reference at the Company's corporate website.

Directors' Remuneration

The principal objective of the Company's framework for directors' remuneration is to attract, retain and motivate Directors of the calibre needed to successfully manage the Group's business.

Directors' Remuneration (con't)

The Remuneration Committee reviews, assesses and recommends to the Board the remuneration package of the Executive Director. The Executive Director's remuneration consists of basic salary, contribution to the national pension fund and benefits-in-kind whilst the Non-Executive Directors' package primarily consists of director fees and meeting allowances. The Director concerned shall abstain in deliberation and voting on decisions in respect of his individual remuneration.

The aggregate remuneration, with categorisation into appropriate components and distinguishing between Executive and Non-Executive Directors, paid or payable to all Directors of the Company from the Company for the financial year ended 30 June 2017 are as follows:

Paid or payable to all Directors of the Company from the Company (based on 12-month cumulatively):

	Fees (RM)	**Allowance (RM)**	**Salaries (RM)**	**EPF & SOCSO (RM)**	**BIK** *(a)*	**Total (RM)**
Executive Director	-	31,000	120,000	15,229	-	166,229
Non-Executive Directors	108,000	25,500	-	-	-	133,500
Total	108,000	56,500	120,000	15,229	-	299,729

Note: *(a) BIK denotes as Benefits-in-Kind*

Number of Directors whose remuneration falls into the bands (based on 12-month cumulatively):

Range of remuneration	**Executive Directors**	**Non-Executive Directors**
RM50,000 and below	-	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-
Total	**1**	**3**

PRINCIPLE 3 – REINFORCING INDEPENDENCE

For the financial year 30 June 2017, the Board comprises of one (1) Executive Director and three (3) Independent Non-Executive Directors. The Company does not have a Chairman or a Chief Executive at the present moment. However, the Board expects the composition to be changed as the Share Subscription of Intra Magnum Sdn Bhd as well as the diversification into the hospitality business has been completed.

Presently, the Executive Director is primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group's operations and developing the Group's business strategies.

The Independent Directors make up three-quarter of the Board, which exceeds the requirements set out in the Listing Requirements of Bursa Securities and the Code. This provides a strong and independent element on the Board. The Independent Directors provide unbiased and independent views, advice and judgment in the decision making process of the Board and thus ensuring that the interests of shareholders and stakeholders are well safeguarded at all times.

Annual Assessment of Independent Directors

The Board, through the Nomination Committee, assesses the independence of the Independent Directors annually. The Nomination Committee's view on independence is in accordance with the definition of an independent director under Paragraph 1.01 and Practice Note 13 of Listing Requirements of Bursa Securities.

The present Independent Directors fulfil the key criteria of appointment as they are not members of the management, free of any relationship that could interfere with exercise of independent judgment or ability to act in the best interest of the Company. Based on the assessment carried out for the financial year ended 30 June 2017, the Board is generally satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interests of the Company in decision-making.

Tenure of Independent Directors

Recommendation 3.2 of the Code provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to re-designation as a Non-Independent Director. Presently, Mr Wong Kok Seong has served as Independent Director of the Company for more than nine (9) years since his initial appointments in 2007. The Nomination Committee has assessed his independence criteria and concluded that Mr Wong Kok Seong continues to provide proper check and balance to the Board and also bring an element of objectivity to the Board. Taking into account the views of the Nomination Committee, the Board concurs that Mr Wong Kok Seong be retained to continue as Independent Director of the Company subject to the shareholders' approval at the forthcoming Annual General Meeting.

SHAREHOLDERS AND INVESTORS

Corporate Disclosure Policies and Procedures

The Company recognises the value of transparent and effective communications with the investment community and aims to build long-term relationships with its shareholders and investors through appropriate channels for disclosure of information.

The Company mainly communicates with its shareholders, stakeholders and the public through press releases, press conferences, timely announcements and disclosures made to Bursa Securities.

Information disseminated is clear, relevant and comprehensive, provided on a timely basis and is readily accessible by all stakeholders. The Company endeavours to provide investors with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.

The Annual Report, which is also a key communication channel between the Company and its shareholders and investors, is published within four (4) months after the financial year-end. The Executive Director's letter to Shareholders provides an insightful interpretation of the Group's performance, operations, prospects and other matters affecting the Company's business and/or shareholders' interests.

Leverage on Information Technology for Effective Dissemination of Information

The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to info@bioosmobhd.com.

Effective Communication and Proactive Engagement

In maintaining its commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is not established just to comply with the Listing Requirements of Bursa Securities, but also to adopt the best practices recommended in the Code with regard to strengthening engagement and communication with shareholders.

Where possible, the Group also provides additional disclosures of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

PRINCIPLE 4 – FOSTERING COMMITMENT

Board Commitment

The details of the number of board meetings and board committees held during the financial period as well as the attendance of each board member at those meetings are disclosed below:

	No. of meetings attended			
Name of directors	**Board**	**AC** [(a)]	**NC** [(b)]	**RC** [(c)]
En Shahrizal Hisham bin Abdul Halim *(Executive Director)*	6/6	-	-	-
Mr Wong Kok Seong *(Independent Non-Executive Director)*	6/6	5/5	2/2	1/1
En Auzir bin Mohd Yaacob *(Independent Non-Executive Director)*	6/6	5/5	2/2	1/1
Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif *(Independent Non-Executive Director)*	6/6	5/5	2/2	1/1

Note:
(a) *Audit Committee Meetings*
(b) *Nomination Committee Meetings*
(c) *Remuneration Committee Meetings*

Each member of the Board holds not more than five (5) directorships in public listed companies in accordance with Listing Requirements of Bursa Securities. While holding office, he is at liberty to accept other board appointments so long as the appointment is not in conflict with the business and does not affect his performance as a director. Any acceptance of new directorships must be notified to the Company immediately and the Board is informed on changes to the directorships held by the Director at the following Board meeting.

Directors' Training and Development programs

The Board acknowledges the importance of constantly updating itself on the general economic, industry development and technical developments by attending appropriate conferences, seminars, workshops and briefings. The Board members are encouraged to enrolled to suitable and relevant training sessions as and when they are available. All the Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities.

Directors' Training and Development programs (con't)

During the financial period under review, the Directors attended the following training programs and seminars:

Date	Training programmes
24 May 2016	Qualitative Research Conference
07 Jul 2017	SIBR-RDINRRU 2016 Conference on Interdisciplinary Business
21 Jul 2017	Program Extraodinary Leadership and Breakthrough Performance
26 Jul 2017	Bengkel Pelan Strategik Fasa II (April-Jun) 2016
18 Nov 2016	CG Breakfast Series: Cybersecurity Threat and How Board Should Mitigate the Risks
17 Dec 2017	4th International Conference on Business Management Economic, Finance
10 Jan 2017	Bursa Malaysia's Sustainability Forum 2017: "The Velocity of Global Change & Sustainability" - The New Business Model
10 Jan 2017	ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2016
26 Apr 2017	MPERS-Major sections
20 May 2017	5th International Conference on Applied Business and Economics
23 May 2017	Driving Financial Integrity and Performance – Enhancing Financial Literacy
25 May 2017	Business as a force for good: The role of the private sector in achieving the Sustainable Development Goals

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

It is the Board's commitment to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of the Group's results to Bursa Securities and the financial statements for each financial year in accordance with applicable Financial Reporting Standards and requirements of the Companies Act 2016 in Malaysia. The Board is satisfied that appropriate accounting policies have been consistently applied and supported by reasonable judgements and estimates.

The Board has established, through the Audit Committee, a close and transparent relationship with the External Auditors in seeking professional advice and ensuring compliance with relevant accounting standards. The External Auditors have confirmed to the Audit Committee that they have been independent throughout the conduct of audit engagement in accordance with terms of relevant professional and regulatory requirements. The Audit Committee evaluated the External Auditors based on cost effective of the audit process together with the External Auditors' performance and assurances as well as discussion with management and concluded that the External Auditors demonstrated appropriate qualifications and expertise. Therefore, the Audit Committee recommended to the Board that Messrs Baker Tilly Monteiro Heng be re-appointed as the External Auditors. The Board accepted this recommendation and has proposed such resolution for shareholders' approval at the forthcoming Annual General Meeting.

The total amount of audit and non-audit fees incurred for services rendered to the Group for the financial year ended 30 June 2017 by the Company's External Auditors, Messrs Baker Tilly Monteiro Heng are RM178,000 and RM12,000 respectively.

Relationship with the Auditors

The Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention. The Audit Committee also meets the external auditors without the presence of the Executive Director and the Management at least twice a year on any matters relating to the Group and its audit activities.

Relationship with the Auditors (con't)

In assessing the independence of external auditors, the Audit Committee reviewed and considered a written assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of their audit engagement with the Company in accordance with the independence criteria of International Standards on Auditing and By-Laws issued by the Malaysian Institute of Accountants.

Annual appointment or re-appointment of the external auditor is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to response and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review.

PRINCIPLE 6 – RECOGNISING AND MANAGING RISKS

The Board regards risk management and internal controls as an integral part of the overall management processes. The Board as a whole is ultimately responsible for identifying the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage those risks.

The Board has established internal control procedures and policies for its operations and monitors, through the Internal Auditors, to ensure that such internal control system is implemented and carried out effectively by the management. The internal audit function is currently outsourced to an external professional consulting firm. The Audit Committee reviews and approves the internal audit plan, which has been developed based on the key risk areas of each major operating unit within the Group. Each year, the Board and the management discuss at length the scope of audit works to be undertaken by the Internal Auditor. The Internal Auditors are then invited to conduct the audit based on the agreed scope of work.

The Statement on Risk Management and Internal Control, which provided an overview of the state of internal control and risk management within the Group, is included in this Annual Report.

PRINCIPLE 7 – ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

The Company strives to maintain an open and transparent channel of communications with its stakeholders, institutional investors and the investing public at large with the objective of providing as clear and complete a picture of the Group's performance and position as possible. The Company believes that a constructive and effective investor relationship is an essential factor in enhancing the value for its shareholders.

However, whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information to external parties. Accordingly, the Board has formalised pertinent corporate disclosure policy and procedure to govern its information disclosure practices.

Besides these traditional channels of communication, the Company's corporate, financial and non-financial information could also be found in its website.

PRINCIPLE 8 – STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

The Annual General Meeting is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses, performance and prospects. In compliance with the Listing Requirements of Bursa Securities and the Companies Act 2016, the Annual Report and the notice of Annual General Meeting are sent to shareholders within the prescribed timeframe. The notice of Annual General Meeting is also published in a national newspaper and released through Bursa Securities for public dissemination. Members of the Board are present at the meeting to answer questions raised. All suggestions and comments put forth by shareholders will be noted by the Board for consideration. The Company also welcomes electronic communications from its shareholders via its email address at info@bioosmobhd.com.

In line with the recent amendments to the Listing Requirements of Bursa Securities, all resolutions as set out in the notice of all general meetings of the Company will be voted by way of poll. For the financial year ended 30 June 2017 and until to-date, the Group has complied substantially with the Principles and Recommendations of the Code insofar as applicable and described herein.

<u>DIRECTOR'S RESPONSIBILITY STATEMENT</u>

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- Overseeing the overall conduct of the Company's business and that of the Group;
- Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- Adopting suitable accounting policies and apply them consistently;
- Making judgments and estimates that are reasonable and prudent; and
- Ensuring compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, the provisions of the Companies Act 2016 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

Material Contracts

There were no material contracts by the Group and its subsidiaries involving Directors' and substantial shareholders' interest.

Utilisation of proceeds

During the financial year, the Company issued a total of 72,305,700 new ordinary shares at an issue price of RM0.085 each in the share capital of the Company ("Private Placement"). The Private Placement had raised gross proceeds of approximately RM6.146 million.

The details of the utilisation of proceeds raised from the Private Placement are as follows:-

Purpose	Proposed utilisation as per announcement dated 29 March 2017 RM'000	Actual utilisation as at 30 June 2017 RM'000	Intended timeframe for utilisation	Balance unutilised	
				RM'000	%
Working capital	4,286	3,833	Within 24 months	453	7.37
Business expansion	1,594	468	Within 24 months	1,126	18.32
Expenses in relation to Private Placement[(1)]	266	266	Within 1 month	-	-
TOTAL	6,146	4,567		1,579	25.69

Note:
(1) *This includes payment of fees to the relevant regulatory authorities, advisory and placement fees as well as any other incidental expenses in connection with the Private Placement.*

Recurrent Related Party Transaction of a Revenue or Trading Nature

The RRPTs of the Group have been entered into in the normal course of business. A breakdown of the aggregate value of the RRPTs made during the financial year are set out below:

Nature of RRPT with Bio Osmo Group	Names of Related Party(ies)	Relationship of Related Party(ies) with Bio Osmo Group	Actual value of RRPT as at 30 June 2017 (RM'000)
To manage and operate Impiana Hotel Ipoh Sdn Bhd	Impiana Hotel Ipoh Sdn Bhd	Company connected to major shareholder of Bio Osmo	85
To provide consultancy services on the development of Phases 1A, 1B and 2 of Impiana Resort & Residences Cherating	Impiana Cherating Sdn Bhd	Company connected to major shareholder of Bio Osmo	2,359
To provide consultancy services on the development of Impiana Private Villas & Resorts Ubud, Bali	Impiana Ubud (Labuan) Co. Ltd	Company connected to major shareholder of Bio Osmo	203

Revaluation of Landed Properties

Landed Properties were appraised at least once every five years by independent professional valuers using the open market value basis, and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Corporate Social Responsibilities

The Group and its subsidiaries did not undertake any corporate social responsibilities activities during the financial year but is anticipating to do so in the coming financial year.

This Statement has been reviewed and approved by the Board of Directors on 26 October 2017.

Audit Committee Report

COMPOSITION AND MEMBERSHIP
The Audit Committee consists of three (3) directors, all of whom were Independent Non-Executive Directors. They are:

Mr Wong Kok Seong
Chairman/Independent Non-Executive Director

En Auzir bin Mohd Yaacob [1]
Member/Independent Non-Executive Director

Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif
Member/Independent Non-Executive Director

Note:-
[1] *Resigned as Member and Independent Non-Executive Director on 24 Oct 2017.*

TERMS OF REFERENCE
The terms of reference of the Audit Committee are available for reference at the Company's corporate website at www.bioosmobhd.com.

MEETINGS
The Audit Committee held five (5) meetings during the financial year ended 30 June 2017 and the attendance of each Audit Committee member are as follows:

Members	No. of meetings attended
Mr Wong Kok Seong	5/5
En Auzir bin Mohd Yaacob	5/5
Prof Dr Mohd Amy Azhar bin Haji Mohd Harif	5/5

REVIEW OF THE AUDIT COMMITTEE
An annual assessment and evaluation on the performance, structure and processes of the Audit Committee were implemented and administered by the Nomination Committee through an audit committee evaluation and audit committee members' self and peer evaluation.

The Audit Committee was assessed based on three (3) key areas, namely:

- quality and composition;
- skills and competencies; and
- meeting administration and conduct

to determine whether the Audit Committee had carried out its duties in accordance with its terms of reference.

The Board, together with the Nomination Committee are satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with the Audit Committee's terms of reference.

SUMMARY OF ACTIVITIES

Below is a summary of activities carried out by the Audit Committee during financial year ended 30 June 2017 :

(i) reviewed quarterly unaudited financial result and audited financial statements prior to submission to the Board of Directors for their consideration and approval;

(ii) reviewed Internal Audit's report and memorandum and discussed with management on the actions taken to improve the internal controls based on improvement opportunities identified in the Internal Audit's report;

(iii) reviewed the adequacy and relevance of the scope, function, competency and resources of Internal Audit Function and that it has the necessary authority to carry out its work;

(iv) reviewed the External Auditors' reports in relation to audit and accounting issues arising from audit, and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board;

(v) reviewed with the External Auditors the results of the audit of the financial statements, significant findings, audit reports, and the response from the management;

(vi) reviewed the External Auditors' scope of work, proposed audit fees and audit plan prior to the commencement of the audit for the period under review;

(vii) reviewed the performance and independence of the External Auditors, considered and recommended their re-appointment to the Board;

(viii) reviewed the Company's compliance with the amendments to Bursa Securities Main Market Listing Requirements and other relevant rules and regulations;

(ix) reviewed any related party transactions entered into by the Company and the Group;

(x) reviewed the Statement on Corporate Governance, Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report; and

(xi) meeting and discussion with the External Auditor of the Company, in the absence of management during the financial period, any other area of concern arising from their interim and final audit.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an external professional consulting firm to provide the Audit Committee and the Board with much of the assurance regarding the adequacy and integrity of the system of internal control within the Group. The Internal Auditor reported to the Audit Committee and carried out the audit reviews in accordance with the internal audit plan. The audit findings and recommendations were forwarded to the management concerned for attention and necessary actions. The Audit Committee reviewed and deliberated the internal audit reports and relevant issued presented during the Audit Committee meetings.

During the financial year under review, the outsourced Internal Audit firm had conducted an internal audit review on the organisation's governance, operations and information systems. A number of internal control weaknesses were identified, whereby all of which have been or being addressed. None of the weakness has resulted in any material losses or uncertainties that would require disclosure in this Annual Report.

In addition, the Internal Auditor also undertakes risks assessment review of the Group together with the Senior Management and selected personnel. The upside of this review was the identification of major business risks of the Group which served to create awareness of the significant risks prevailing in the business to the Board and management. Further information regarding the Internal Audit function is detailed under Statement on Risk Management and Internal Control in this Annual Report.

The total cost incurred for the internal audit function of the Group for the financial year ended 30 June 2017 was approximately RM12,000 (2016: RM15,000).

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors of Bio Osmo Berhad ("the Board") acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its on-going efforts to practise good corporate governance. The Board is committed to practicing good standards of corporate governance and observing best practices, and will continue to improve on current practices.

The Board is pleased to provide the following Statement on Risk Management and Internal Control which is prepared pursuant to Bursa Malaysia Listing Requirement For The Main Market and Principle 6 of the Malaysian Code on Corporate Governance 2012, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 30 June 2017.

RESPONSIBILITY OF THE BOARD

The Board is ultimately responsible for the internal control throughout the Group. It is also accountable for reviewing its effectiveness, adequacy and integrity, including financial and operational controls, compliance with relevant laws and regulations, and risk management in order to safeguard the Group's assets, and ultimately the shareholders' investments. The Board recognises that the system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives. Hence, the Board shall only provide reasonable and not absolute assurance against misstatement or loss. Nonetheless, the Board shall evaluate appropriate initiatives- on a continuous basis- to strengthen the transparency and efficiency of its operations, taking into account the requirements for sound and appropriate internal controls and management information systems within the Group.

CONTROL ENVIRONMENT

The Board of Directors and the Senior Management team consistently endeavour to maintain an adequate system of internal controls designed to manage risks rather than to eliminate them. The Group has an organisation structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Group. As such, it is recognised that the system of internal controls can only provide reasonable assurance and not absolute assurance against the occurrence of any material misstatement or loss.

The Board is accountable for ensuring the existence and effectiveness of internal control. It provides leadership and direction to Senior Management on the manner the Group controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Group,assessment of financial and operational risks and an effective monitoring mechanism.

INTERNAL AUDIT

The outsourced Internal Auditors have reviewed the Group's system of internal controls to identify and address related internal control weaknesses. The Internal Audit team independently reviewed the risk identification procedures and control processes implemented by the management. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee. The internal auditors also tested the effectiveness of the internal control on the basis of an internal audit strategy and a detailed annual internal audit plan was presented to the Audit Committee for approval. It should be annotated that the internal audit was based on samples selection and did not engage any strategy to detect fraud during the performance of the audit.

The Internal Auditors also reports on the activities performed and key strategic and control issues observed by them to the Audit Committee in order to preserve its independence. The Audit Committee reviews and approves audit plan and human resources requirements to ensure the function maintains an adequate number of internal auditors with sufficient knowledge, skills and experience.

PRACTICES & FRAMEWORK

Using this framework, all internal control Assessments performed by the Internal Auditors are based on the internal control elements Scope and Coverage.

The Internal Auditors continue to adopt the risk-based audit plan to ensure the programmes carried out are prioritised based on the Group's key risks and core/priority areas. Input from various sources inclusive of the Enterprise Risk Management Framework, Business Plan, past audit issues, external auditors, Management and Board are gathered, assessed and prioritised to derive the annual audit plan.

During the financial period ended 30 June 2017, the key coverage is as below:

- Follow up of previous audit issues
- Finance & Account
- Human Resources & Administration
- Information Technology
- Production

Reports from the internal audit reviews carried out were submitted and presented to the Audit Committee with the feedback and agreed corrective actions to be undertaken by Management. Subsequently, the progress of these corrective actions were monitored and verified by the Internal Auditors on an ongoing basis and submitted to the Audit Committee.

QUALITY ASSURANCE

The Internal Auditors develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of Internal Auditors processes and identifies opportunities for improvement via both internal and external assessment. The team leader is well experience to manage the internal audit assignments. The Audit Committee believes that the Internal Auditors are equipped with sufficient knowledge, skills and competencies to discharge their duties and responsibilities. The cost incurred for the internal audit during the financial period was RM12,000.

INFORMATION AND COMMUNICATIONS

While the Management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to request for information and clarification from the Management as well as to seek inputs from the Audit Committee, external and internal auditors and other experts at the expense of the Company.

RISK MANAGEMENT

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This is to ensure that all high risks are adequately addressed at various levels within the Group. Risk management is embedded in the Group's management system and is every employee's responsibility. The Group believes that risk management is critical for the Group's continued profitability and the enhancement of shareholder value. The risk profile of the Group is established during risk mapping and assessment sessions facilitated by the external consultant. The risk responses and internal controls that the Management has taken and/or is taking are documented in the risk templates. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the Internal Audit team, provides an independent assessment of the effectiveness of the Group's Enterprise Risk Management ("ERM") framework and reports to the Board. The Group's ERM is consistent with the ERM framework and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment.

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to Management

All identified risks are displayed on a risk matrix based on their risk ranking to assist Management in prioritising their efforts and appropriately managing the different classes of risks. There is no dedicated ERM department, however, the management work closely with the Group's operational managers to continuously strengthen the risk management initiatives within the Group so that it responds effectively to the constantly changing business environment and is thus able to protect and enhance shareholder value.

The Board recognises the importance of effective ERM in enhancing shareholder value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Senior Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises.

Risk Structure/Accountability and Responsibility

Further improving Group's risk governance, ERM structures have been established within each department and subsidiary. The aim is for a risk culture to be internalised through risk ownership and to drive ERM implementation at the functional level. ERM Resource Persons are the Heads of Departments ("HODs"). In matters relating to ERM, including the submission of reports, the liaison personnel coordinates with the external consultant. In addition, they are responsible for assisting their HODs to manage and administer the business units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

Monitoring Activities

In the year under review, the following monitoring activities were undertaken to provide assurance on the effectiveness of risk management and internal controls:

(a) Our Board through our AC has reviewed the risk management updates as well as the progress of compliance status of the internal control and risk management system.

Assurance from the Management

The Board has also received assurance from the Executive Director and Group COO, that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management framework adopted by the Group.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 30 June 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board is pleased to report that there were no major internal control weaknesses identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. The Board is of the view that the existing system of the internal control is adequate. Nevertheless, Management continues to take measures to strengthen the control environment.

This statement is made in accordance with the resolution of the Board of directors dated 26 October 2017.

Statement of Directors' Responsibilities
in Respect of the Audited Financial Statements

The Board of Directors is required under Paragraph 15.26 (a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirement ("MMLR") to issue a statement on its responsibility in the preparation of the Annual Audited Financial Statements.

The Directors are required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the financial positions of the Group at the end of the financial year and of the results and cash flows of the Group for the financial year.

In preparing the financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual financial statements in accordance with applicable Financial Reporting Standards in Malaysia, the provision of the Act and the MMLR.

The Directors are responsible for ensuring that the Company and its subsidiaries keep accounting records which disclose, with reasonable accuracy at any time, the financial position of each company and which enable them to ensure that the financial statements comply with the provisions of the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

This Statement has been reviewed and approved by the Board of Directors at the meeting held on 26 October 2017.

Financial Statement Contents

Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss net of tax	(11,072,313)	(1,299,069)
Loss attributable to:		
Owners of the Company	(10,925,143)	(1,299,069)
Non-controlling interest	(147,170)	-
	(11,072,313)	(1,299,069)

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial period and the directors do not recommend any dividend payment for the current financial year.

RESERVES AND PROVISIONS

There were no material transfer to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:
(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liabilities of any companies within the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

Except as disclosed in the financial statements, in the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report was made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

(i) issued 224,397,000 new ordinary shares of RM11,219,850 for cash to satisfy the funding for the acquisition of the 75% equity interest in Intra Magnum Sdn. Bhd.; and

(ii) issued 72,305,700 new ordinary shares of RM6,145,985 for cash for working capital purpose.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

WONG KOK SEONG	
PROF. DR. MOHD AMY AZHAR BIN HAJI MOHD HARIF	
SHAHRIZAL HISHAM BIN DATO' SETIA ABDUL HALIM	
AZRIN MIRZHAN BIN KAMALUDDIN	(Appointed on 24 October 2017)
DATUK MOHAMMAD KAMAL BIN YAN YAHAYA	(Appointed on 24 October 2017)
DATO' YAHYA BIN A. JALIL	(Appointed on 24 October 2017)
DATO' LATT SHARIMAN BIN ABDULLAH	(Appointed on 24 October 2017)
AUZIR BIN MOHD YAACOB	(Resigned on 24 October 2017)

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
Interest in the Company				
Direct interests:				
Auzir Bin Mohd Yaacob	10,000	-	-	10,000
Wong Kok Seong	10,000	-	-	10,000
Indirect interests:				
Shahrizal Hisham Bin Dato' Setia Abdul Halim	100,000,000	-	-	100,000,000

Other than as stated above, none of the other directors in office at the end of the financial year has any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors of the Company as disclosed in Note 6 of the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during and at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSIDIARIES

The details of the Group's and the Company's subsidiaries are disclosed in Note 10 to the financial statements.

The available auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 30 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 5 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

SHAHRIZAL HISHAM BIN DATO' SETIA ABDUL HALIM
Director

WONG KOK SEONG
Director

Date : 26 October 2017

Statements of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Group		Company	
		Period from		Period from	
		Year ended	1.1.2015 to	Year ended	1.1.2015 to
		30.6.2017	30.6.2016	30.6.2017	30.6.2016
	Note	RM	RM	RM	RM
Revenue	4	9,105,923	10,632,193	-	-
Cost of sales		(9,184,586)	(13,371,805)	-	-
Gross loss		(78,663)	(2,739,612)	-	-
Other income		1,830,099	3,242,926	2,616,121	-
Selling and distribution costs		(804,402)	(1,116,393)	294,982)	(89,772)
Administrative costs		(4,872,692)	(4,127,333)	(3,330,658)	(2,842,395)
Other costs		(5,916,155)	(2,358,925)	(289,550)	(24,906,910)
		(11,593,249)	(7,602,651)	(3,915,190)	(27,839,077)
Loss before tax	5	(9,841,813)	(7,099,337)	(1,299,069)	(27,839,077)
Income tax expense	7	(1,230,500)	(85,677)	-	-
Loss net of tax, representing total comprehensive loss for the financial year/ period		(11,072,313)	(7,185,014)	(1,299,069)	(27,839,077)
Total comprehensive loss attributable to:					
Owners of the Company		(10,925,143)	(6,799,188)	(1,299,069)	(27,839,077)
Non-controlling interests		(147,170)	(385,826)	-	-
		(11,072,313)	(7,185,014)	(1,299,069)	(27,839,077)
Loss per share attributable to owners of the Company (sen per share)					
Basic	8	(1.66)	(1.36)		
Diluted	8	(1.66)	(1.36)		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Financial Position

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	9	23,080,799	13,346,624	61,346	71,963
Investments in subsidiaries	10	-	-	18,750,000	-
Intangible assets	12	13,533,132	-	-	-
Trade receivables	14	450,457	-	-	-
		37,064,388	13,346,624	18,811,346	71,963
Current assets					
Inventories	13	573,729	410,588	-	-
Trade receivables	14	4,978,353	847,881	-	-
Other receivables, deposits and prepayments	15	944,230	959,808	31,677	342,263
Tax recoverable		-	55,264	-	-
Amounts due from subsidiaries	16	-	-	21,947	-
Deposits with a licensed bank	17	305,700	305,700	-	-
Cash and bank balances		2,083,242	624,619	1,579,135	209,490
		8,885,254	3,203,860	1,632,759	551,753
Non-current assets classified as held for sale	23	-	11,540,000	-	-
		8,885,254	14,743,860	1,632,759	551,753
TOTAL ASSETS		**45,949,642**	**28,090,484**	**20,444,105**	**623,716**
EQUITY AND LIABILITIES					
Equity					
Share capital	18	42,298,835	24,933,000	42,298,835	24,933,000
Share premium	18	-	288,339	-	288,339
Warrants reserve	19	-	2,092,500	-	2,092,500
Accumulated losses		(12,681,898)	(3,023,278)	(26,857,450)	(26,824,904)
Equity attributable to owners of the Company		29,616,937	24,290,561	15,441,385	488,935
Non-controlling interest		5,414,624	(1,102,831)	-	-
Total equity		35,031,561	23,187,730	15,441,385	488,935
Liabilities					
Non-current liabilities					
Deferred tax liabilities	11	765,877	-	-	-
Trade payables	20	81,229	-	-	-
Total non-current liabilities		847,106	-	-	-
Current liabilities					
Trade payables	20	1,184,535	508,998	-	-
Other payables and accruals	21	7,582,852	4,043,410	5,002,720	134,781
Amounts due to directors	22	389,026	350,346	-	-
Tax payable		914,562	-	-	-
Total current liabilities		10,070,975	4,902,754	5,002,720	134,781
TOTAL LIABILITIES		**10,918,081**	**4,902,754**	**5,002,720**	**134,781**
TOTAL EQUITY AND LIABILITIES		**45,949,642**	**28,090,484**	**20,444,105**	**623,716**

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		← Attributable to Owners of the Company				→		
Group	**Note**	**Share Capital RM**	**Share Premium RM**	**Warrants Reserve RM**	**Accumulated Losses RM**	**Equity Attributable to Owners of the Company RM**	**Non-controlling Interest RM**	**Total Equity RM**
2016								
Balance as at 1 January 2015		99,732,000	288,339	2,092,500	(71,023,090)	31,089,749	(717,005)	30,372,744
Total comprehensive income for the financial period								
Loss net of tax, representing total comprehensive loss for the financial period		-	-	-	(6,799,188)	(6,799,188)	(385,826)	(7,185,014)
Transactions with owners								
Par value reduction		(74,799,000)	-	-	74,799,000	-	-	-
Balance at 30 June 2016		24,933,000	288,339	2,092,500	(3,023,278)	24,290,561	(1,102,831)	23,187,730

		← Attributable to Owners of the Company				→		
Group	**Note**	**Share Capital RM**	**Share Premium RM**	**Warrants Reserve RM**	**Accumulated Losses RM**	**Equity Attributable to Owners of the Company RM**	**Non-controlling Interest RM**	**Total Equity** RM
2017								
Balance as of 1 July 2016		24,933,000	288,339	2,092,500	(3,023,278)	24,290,561	(1,102,831)	23,187,730
Total comprehensive income for the financial year								
Loss net of tax, representing total comprehensive loss for the financial year		-	-	-	(10,925,143)	(10,925,143)	(147,170)	(11,072,313)
Transactions with owners								
Issuance of ordinary shares	18	17,365,835	-	-	-	17,365,835	-	17,365,835
Warrants expired			-	(2,092,500)	2,092,500	-	-	-
Non-controlling interests arising from acquisition of new subsidiary		-	-	-	-	-	6,664,625	6,664,625
Share issuance expenses		-	(288,339)	-	(825,977)	(1,114,316)	-	(1,114,316)
Total transactions with owners		17,365,835	(288,339)	(2,092,500)	1,266,523	16,251,519	6,664,625	22,916,144
Balance at 30 June 2017		42,298,835	-	-	(12,681,898)	29,616,937	5,414,624	35,031,561

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Company	Note	Share Capital RM	Share Premium RM	Warrants Reserve RM	Accumulated Losses RM	Total Equity RM
2016						
Balance at 1 January 2015		99,732,000	288,339	2,092,500	(73,784,827)	28,328,012
Total comprehensive income for the financial period						
Loss net of tax, representing total comprehensive loss for the financial period		-	-	-	(27,839,077)	(27,839,077)
Transaction with owners						
Par value reduction	18	(74,799,000)	-	-	74,799,000	-
Balance at 30 June 2016		24,933,000	288,339	2,092,500	(26,824,904)	488,935

Company	Note	Share Capital RM	Share Premium RM	Warrants Reserve RM	Accumulated Losses RM	Total Equity RM
2017						
Balance at 1 July 2016		24,933,000	288,339	2,092,500	(26,824,904)	488,935
Total comprehensive income for the financial year						
Loss net of tax, representing total comprehensive loss for the financial year		-	-	-	(1,299,069)	(1,299,069)
Transactions with owners						
Issuance of ordinary shares		17,365,835	-	-	-	17,365,835
Share issuance expenses		-	(288,339)	-	(825,977)	(1,114,316)
Warrants expired		-	-	(2,092,500)	2,092,500	-
Total transactions with owner		17,365,835	(288,339)	(2,092,500)	1,266,523	16,251,519
Balance at 30 June 2017		42,298,835	-	-	(26,857,450)	15,441,385

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group Year ended 30.6.2017 RM	Group Period from 1.1.2015 to 30.6.2016 RM	Company Year ended 30.6.2017 RM	Company Period from 1.1.2015 to 30.6.2016 RM
Cash Flows from Operating Activities					
Loss before tax		(9,841,813)	(7,099,337)	(1,299,069)	(27,839,077)
Adjustments for:					
Amortisation of intangible asset		684,197	-	-	-
Bad debts written off		495,335	18,789	-	-
Bargain purchase gain on acquisition of a subsidiary		(1,243,876)	-	-	-
Deposits written off		75,232	585,287	-	557,500
Depreciation of property, plant and equipment		2,026,190	3,450,132	15,325	5,827
Gain on disposal of property, plant and equipment		(460,000)	(1,515,494)	-	-
Impairment loss on investments in subsidiaries		-	-	-	23,900,506
Impairment loss on property, plant and equipment		4,621,034	1,322,600	-	-
Impairment loss on trade receivables		178,906	353,842	-	-
Interest income		(21,269)	(11,425)	-	-
Sinking fund written off		-	62,516	-	-
Unrealised gain on foreign exchange		(58,593)	(126,866)	-	-
Property, plant and equipment written off		281,788	-	-	-
(Reversal)/Impairment loss on amounts due from subsidiaries		-	-	(2,616,121)	447,666
Reversal of impairment loss on property, plant and equipment		(27,800)	(844,261)	-	-
Reversal of impairment loss on trade receivables		(495,335)	(532,078)	-	-
Operating loss before working capital changes, balance carried down		(3,786,004)	(4,336,295)	(3,899,865)	(2,927,578)

Statements of Cash Flows (Con't)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group Year ended 30.6.2017 RM	Group Period from 1.1.2015 to 30.6.2016 RM	Company Year ended 30.6.2017 RM	Company Period from 1.1.2015 to 30.6.2016 RM
Operating loss before working capital changes, balance brought down		(3,786,004)	(4,336,295)	(3,899,865)	(2,927,578)
Changes in working capital:					
Changes in inventories		(163,141)	388,849	-	-
Changes in receivables		(3,514,499)	(285,850)	310,586	(29,512)
Changes in payables		(7,105,801)	(843,009)	545,642	67,987
Cash used in operations		(14,569,445)	(5,076,305)	(3,043,637)	(2,889,103)
Interest received		21,269	-	-	-
Net cash used in operating activities		(14,548,176)	(5,076,305)	(3,043,637)	(2,889,103)
Cash Flows from Investing Activities					
Repayment from subsidiaries		-	-	2,594,174	2,039,447
Subscription of shares in acquisition of a subsidiary, net of cash acquired	10(a)(ii)	(12,850,430)	-	(18,750,000)	-
Advances from directors		38,680	-	-	-
Deposit received		-	2,830,189	-	-
Purchase of property, plant and equipment	9	(3,395,387)	(280,509)	(4,708)	(71,582)
Proceeds from disposal of property, plant and equipment		12,000,000	3,012,245	-	-
Real property gains tax paid		(360,000)	(85,677)	-	-
Net cash (used in)/from investing activities		(4,567,137)	5,476,248	(16,160,534)	1,967,865
Cash Flows from Financing Activities					
Loan from third parties		4,322,297	-	4,322,297	-
Proceeds from issuance of shares		17,365,835	-	17,365,835	-
Repayment of bank borrowings		-	(980,000)	-	-
Share issuance expenses paid		(1,114,316)	-	(1,114,316)	-
Net cash from/(used in) financing activities		20,573,816	(980,000)	20,573,816	-
Net changes in cash and cash equivalents, balance carried down		1,458,503	(580,057)	1,369,645	(921,238)

Statements of Cash Flows (Con't)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Group		Company	
			Period from		Period from
		Year ended	1.1.2015 to	Year ended	1.1.2015 to
		30.6.2017	30.6.2016	30.6.2017	30.6.2016
	Note	RM	RM	RM	RM
Net changes in cash and cash equivalents, balance brought down		1,458,503	(580,057)	1,369,645	(921,238)
Effect of exchange rate changes on cash and cash equivalents		120	(55,806)	-	-
Cash and cash equivalents at beginning of the financial year/ period		624,619	1,260,482	209,490	1,130,728
Cash and cash equivalents at end of the financial year/ period		2,083,242	624,619	1,579,135	209,490
CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at end of the financial year/period comprises:					
Cash and bank balances		2,083,242	624,619	1,579,135	209,490
Deposits with a licensed bank		305,700	305,700	-	-
		2,388,942	930,319	1,579,135	209,490
Less: Deposits with a licensed bank pledged		(305,700)	(305,700)	-	-
		2,083,242	624,619	1,579,135	209,490

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office of the Company is located at No. 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 1A, Jalan Kampung Sungai Suloh, Mukim Minyak Beku, 83000 Batu Pahat, Johor Darul Takzim.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 10. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 26 October 2017.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(e).

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int")

(i) Adoption of Amendments/Improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:-

<u>Amendments/Improvements to MFRSs</u>

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures

2. BASIS OF PREPARATION (con't)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (con't)

(i) Adoption of Amendments/Improvements to MFRSs (con't)

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:- (con't)

Amendments/Improvements to MFRSs (con't)

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017

2. BASIS OF PREPARATION (con't)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (con't)

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (con't)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective: (con't)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (con't)		
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:-

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

2. BASIS OF PREPARATION (con't)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (con't)

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (con't)

MFRS 9 Financial Instruments (con't)

Key requirements of MFRS 9:- (con't)

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

2. BASIS OF PREPARATION (con't)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (con't)

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (con't)

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 1 First-time Adoption of MFRSs

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 Financial Instruments: Disclosure, MFRS 119 Employee Benefits and MFRS 10 Consolidated Financial Statements because they are no longer applicable.

Amendments to MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more that their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

2. BASIS OF PREPARATION (con't)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (con't)

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (con't)

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:-
- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(d) Going concern assumption

The Group incurred a net loss of RM11,072,313 during the financial year ended 30 June 2017 and, as at that date, the Group's current liabilities exceeded its current assets by RM1,185,721.

The directors have continued to adopt the going concern basis in preparing the financial statements after having prepared a cash flow forecast supporting the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the end of the financial year.

2. BASIS OF PREPARATION (con't)

(e) Significant accounting estimates and judgements

Significant areas of estimation uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

(i) Impairment on property, plant and equipment (Note 9) – The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is more than the recoverable amount. The management relies on the professional valuer to determine the fair market value of certain property, plant and equipment. Significant judgement is required in the estimation of fair market value determined by the professional valuer.

(ii) Purchase price allocation (Note 10) - Purchase prices related to business combination are allocated underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Group's reported assets and liabilities, future net earnings due to the impact on future depreciation and amortisation expenses and impairment tests.

(iii) Useful life of intangible assets and impairment on intangible assets (Note 12) - The cost of intangible assets is amortised on a straight line basis over the assets' useful lives. Management estimates the useful lives of these intangible assets to be 7 to 15 years of their expected benefit. The amortisation period and amortisation method are reviewed at each reporting date.

Intangible assets are tested for impairment annually. This requires an estimation of value-in-use of cash generating units to which the intangible assets are allocated. When value-in-use calculation are undertaken, management is required to estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of the cash flows.

(iv) Going concern – The Group's financial statements have been prepared on the going concern basis after considered the cash flows forecast for the next 12 months from the financial year end supporting the assertion that the Group will have sufficient funds to continue for a period of at least 12 months from the end of the financial year. Significant assumptions and judgements are used in the preparation of the cash flows forecast.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(a) Basis of Consolidation (con't)

(i) Subsidiaries and Business Combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus

- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus

- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less

- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(a) Basis of Consolidation (con't)

(i) Subsidiaries and Business Combination (con't)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(ii) Non-Controlling Interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(iii) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(b) Foreign Currency

(i) Foreign Currency Transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(c) Revenue Recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Sale of Goods

Revenue from sale of goods is measured at fair value of the consideration received or receivables, net of returns and allowances, trade discounts and volumn rebates. Revenue is recognised upon delivery of goods and customer acceptance, if any, when the significant risk and rewards of ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Interest Income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(c) Revenue Recognition (con't)

(iii) Management Fee Received

Management fee is recognised when services are rendered.

(iv) Technical Fee Received

Technical fee is recognised when services are rendered.

(d) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, social security contributions and bonuses are recognised as expenses in the financial period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in profit or loss as incurred.

(e) Leases

(i) Operating Lease – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(f) Borrowing Costs

Borrowing costs are capitalised as part of a qualifying assets if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets for its intended use or sales are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(g) Income Tax

(i) Current Tax

Tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantially enacted by the reporting date and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

(ii) Deferred Tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(iii) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(h) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such part as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

Leasehold land is amortised over the period of the remaining leases period of 74 years.

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Plant and machinery	10-15 years
Office equipment, furniture and fittings and renovation	5-10 years
Motor vehicles	5 years

The residual value, useful live and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the financial period the asset is derecognised.

(i) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less costs of disposal and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to.

An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(i) Impairment of Non-Financial Assets (con't)

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior financial years. The reversal of impairment loss is recognised in profit or loss.

(j) Intangible Assets

Management rights and trademark that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

These assets which are considered to have finite useful lives will be amortised over the estimated useful lives and assess for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is provided from the commencement of the commercial production of the related product on the straight line bases over a period of 7 to 15 years. The amortisation period and amortisation method are reviewed at each reporting date.

(k) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and have categorised the financial assets in loans and receivables.

(i) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(k) Financial Assets (con't)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

(l) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(m) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first in first out basis.

- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads are assigned on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(o) Share Capital

(i) Ordinary Shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(p) Warrant reserves

Amount allocated in relation to the issuance of Warrants are credited to a warrant reserve which is non-distributable. Warrant reserve is transferred to the share premium or retained earnings upon the exercise or expiry of warrants respectively.

(q) Provision

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(q) Provision (con't)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

(r) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position

(s) Non-current Assets Held for Sale

Non-current asset classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such assets and its sale must be highly probable.

Immediately before the initial classification as held for sale, the carrying amounts for the non-current assets are measured in accordance with the Group's accounting policies. On initial classification as held for sale, non-current assets measured at the lower of carrying amount immediately before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

Non-current assets held for sale are classified as current assets in the face of the statements of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset classified as held for sale is presented separately.

If the Group has classified an asset as held for sale but subsequently the criteria for classification is no longer met, the Group ceases to classify the assets as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale at the lower of:

(a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset been classified as held for sale; and

(b) its recoverable amount at the date of subsequent decision not to sell.

(t) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (con't)

(t) Financial Liabilities (con't)

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group's and the Company's other financial liabilities include trade payables and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(u) Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the chief operating decision maker who periodically review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

(v) Fair Value Measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

4. REVENUE

	Group		Company	
	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Management fee	194,498	-	-	-
Sale of goods	4,406,851	10,632,193	-	-
Technical fee	4,504,574	-	-	-
	9,105,923	10,632,193	-	-

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):-

	Group		Company	
	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Auditors' remuneration				
- Statutory audit:				
current financial year/period	178,000	196,000	103,000	92,800
(over)/ under provision in prior financial period/ years	(10,900)	5,500	(10,000)	7,600
- Other services	12,000	12,000	12,000	12,000
Amortisation of intangible assets	684,197	-	-	-
Bad debts written off	495,335	18,789	3,734	-
Corporate exercise expenses	1,442,223	1,548,219	1,442,223	1,548,219
Deposits written off	75,232	585,287	-	557,500
Depreciation of property, plant and equipment	2,026,190	3,450,132	15,325	5,827
Directors' fee	108,000	162,000	108,000	162,000
Employee benefits expense (including key management personnel):				
Contribution to defined contribution plan	194,246	213,917	51,696	76,402
Salaries, bonus and others	1,928,206	2,333,479	491,374	652,268
Impairment loss on amounts due from subsidiaries	-	-	285,816	447,666
Impairment of property, plant and equipment	4,621,034	1,322,600	-	-
Impairment loss on trade receivables	178,906	353,842	-	-
Property, plant and equipment written off	281,788	-	-	-
Rental of factory	466,000	454,900	-	-

5. LOSS BEFORE TAX (con't)

Loss before tax is arrived at after charging/(crediting):- (con't)

	Group		Company	
	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Rental of hostel	25,600	59,700	-	-
Rental of office	58,300	63,300	58,300	63,300
(Reversal)/Impairment loss on investments in subsidiaries	-	-	(2,616,121)	23,900,506
Sinking fund written off	-	62,516	-	-
Loss/(Gain) on foreign currency exchange				
realised	13,041	(102,482)	-	-
unrealised	(58,593)	(126,866)	-	-
Bargain purchase gain on acquisition of a subsidiary	(1,243,876)	-	-	-
Gain on disposal of property, plant and equipment	(460,000)	(1,515,494)	-	-
Interest income	(21,269)	(11,425)	-	-
Late payment interest income	-	(71,039)	-	-
Reversal of impairment loss on property, plant and equipment	(27,800)	(844,261)	-	-
Reversal of impairment loss on trade receivables	(495,355)	(532,078)	-	-

6. DIRECTORS' REMUNERATION

	Group/Company	
	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Fees	108,000	162,000
Other emoluments	177,329	216,953
Contribution to defined contribution plan	14,400	21,600
Total directors' remuneration	299,729	400,553

7. INCOME TAX EXPENSE

	Group		Company	
	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Malaysian income tax				
- Current year tax expense	848,134	-	-	-
- Under provision in prior financial year	49,728			
Real property gains tax	360,000	85,677	-	-
	1,257,862	85,677	-	-
Deferred tax				
- Reversal of temporary difference	(27,362)	-	-	-
	1,230,500	85,677	-	-

The reconciliations of the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:-

	Group		Company	
	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Loss before tax	(9,841,813)	(7,099,337)	(1,299,069)	(27,839,077)
Tax at the Malaysian statutory income tax rate of 24% (2016: 24%)	(2,362,035)	1,703,841)	(311,800)	(6,681,378)
Tax effect on non-deductible expenses	1,097,636	945,267	311,800	6,681,378
Tax effect on non-taxable income	(298,530)	-	-	-
Deferred tax assets not recognised during the financial year/period	2,421,701	871,274	-	-
Effect of Real Property Gains Tax rate	322,000	(27,023)	-	-
Under provision in prior financial year	49,728	-	-	-
Income tax expense	1,230,500	85,677	-	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year/period.

8. LOSS PER SHARE

Basic earnings per share ad diluted earnings per share are calculated based on the following information:

	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Loss for the financial year attributable to owners of the Company	(10,925,143)	(6,799,188)
Weighted average number of ordinary shares for basic loss per share computation	657,486,625	498,660,000
Loss per share attributable to owners of the Company (sen per share)	(1.66)	(1.36)

During the current financial year, the diluted loss per share of the Group is equivalent to the basic loss per share as the diluted loss per share has anti-dilutive effect.

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Factory buildings RM	Plant and machineries RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Group						
2016						
Cost						
At 1 January 2015	3,763,799	11,932,113	55,546,132	1,854,248	558,136	73,654,428
Additions	-	-	176,622	103,887	-	280,509
Disposals	-	-	(279,814)	(98,039)	(45,000)	(422,853)
Transfer to non-current assets classified as held for sale (Note 23)	(3,763,799)	(11,932,113)	(45,673)	(726,764)	-	(16,468,349)
Reclassified	-	-	-	(3,766)	3,766	-
At 30 June 2016	-	-	55,397,267	1,129,566	516,902	57,043,735

9. PROPERTY, PLANT AND EQUIPMENT (con't)

	Freehold land RM	Factory buildings RM	Plant and machineries RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Group						
2016						
Accumulated Depreciation and Impairment Losses						
At 1 January 2015						
Accumulated depreciation	-	4,695,912	38,499,930	1,369,279	549,302	45,114,423
Charge for the financial period	-	357,197	2,897,794	182,541	12,600	3,450,132
Reversal of impairment loss for the financial period	-	(844,261)	-	-	-	(844,261)
Impairment loss for the financial period	-	-	1,322,600	-	-	1,322,600
Disposals	-	-	(279,569)	(92,865)	(45,000)	(417,434)
Transfer to non-current assets classified as held for sale (Note 23)	-	(4,208,853)	(37,812)	(681,684)	-	(4,928,349)
Reclassified	-	5	(5)	-	-	-
At 30 June 2016	-	-	42,402,938	777,271	516,902	43,697,111
Analysed as:						
- Accumulated depreciation	-	-	33,062,317	774,985	516,902	34,354,204
- Accumulated impairment loss	-	-	9,340,621	2,286	-	9,342,907
Net Carrying Amount						
At 30 June 2016	-	-	12,994,329	352,295	-	13,346,624

9. PROPERTY, PLANT AND EQUIPMENT (con't)

	Freehold land RM	Leasehold land RM	Factory buildings RM	Plant and machineries RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Group							
2017							
Cost							
At 1 July 2016	-	-	-	55,397,267	1,129,566	516,902	57,043,735
Acquisition of a subsidiary	8,870,800	4,369,200	-	-	-	-	13,240,000
Additions	252,523	124,377	-	3,011,509	6,978	-	3,395,387
Written off	-	-	-	(119,949)	(300,914)	-	(420,863)
At 30 June 2017	9,123,323	4,493,577	-	58,288,827	835,630	516,902	73,258,259
Accumulated Depreciation and Impairment Losses							
At 1 July 2016							
Accumulated depreciation	-	-	-	42,402,938	777,271	516,902	43,697,111
Charge for the financial year	-	38,200	-	1,934,730	53,260	-	2,026,190
Written off	-	-	-	(43,796)	(95,279)	-	(139,075)
Impairment loss for the financial year	-	-	-	4,621,034	-	-	4,621,034
Reversal of impairment loss for the financial year	-	-	-	(27,800)	-	-	(27,800)
At 30 June 2017	-	38,200	-	48,887,106	735,252	516,902	50,177,460
Analysed as:							
- Accumulated depreciation	-	38,200	-	44,293,872	735,252	516,902	45,584,226
- Accumulated impairment loss	-	-	-	4,593,234	-	-	4,593,234
Net Carrying Amount							
At 30 June 2017	9,123,323	4,455,377	-	9,401,721	100,378	-	23,080,799

9. PROPERTY, PLANT AND EQUIPMENT (con't)

	Furniture and fittings RM	Renovation RM	Office equipment RM	Total RM
Company				
Cost				
At 1 January 2015	-	-	13,149	13,149
Additions	21,919	22,353	27,310	71,582
At 30 June 2016/At 1 July 2016	21,919	22,353	40,459	84,731
Additions	-	-	4,708	4,708
At 30 June 2017	21,919	22,353	45,167	89,439
Accumulated Depreciation				
At 1 January 2015	-	-	6,941	6,941
Charge for the financial period	591	1,863	3,373	5,827
At 30 June 2016/At 1 July 2016	591	1,863	10,314	12,768
Charge for the financial year	2,352	5,588	7,385	15,325
At 30 June 2017	2,943	7,451	17,699	28,093
Net Carrying Amount				
At 30 June 2016	21,328	20,490	30,145	71,963
At 30 June 2017	18,976	14,902	27,468	61,346

(a) Impairment loss

During the financial year/period, an impairment loss of RM4,621,034 (2016: RM1,322,600) was recognised in profit or loss under other expenses, representing the impairment of certain plant and machineries to its recoverable amount, in view of the Group incurred continuing losses in the recent financial periods. As 30 June 2017, the recoverable amount of RM9,314,200 (2016: 10,248,100) was based on cost method by reference to independent valuation carried out by professional valuer.

10. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost:		
At the beginning of the financial year/period	32,698,203	32,698,203
Addition	18,750,000	-
	51,448,203	32,698,203
Quasi loan	48,975,350	51,591,471
	100,423,553	84,289,674
Less: Allowance for impairment losses	(81,673,553)	(84,289,674)
At the end of the financial year/period	18,750,000	-

Quasi loan represents advances and payments made on behalf of which the settlement is neither planned nor likely occur in the foreseeable future. This amount is in substance, a part of the Company's net investment in a subsidiary. The quasi loan is stated at cost less accumulated impairment losses, if any.

Movement in allowance for impairment losses in respect of amounts due from subsidiaries are as follows:

	Company 2017 RM	Company 2016 RM
At beginning of the financial year/period	84,289,674	60,389,168
(Reversal)/Additions	(2,616,121)	23,900,506
At end of the financial year/period	81,673,553	84,289,674

10. INVESTMENTS IN SUBSIDIARIES (con't)

Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Proportion of Ownership Interest/ Voting Rights As at 2017	As at 2016
Held By The Company				
Amshore Holdings Sdn. Bhd.	Processing, manufacturing and selling of rinking water	Malaysia	100%	100%
Morning Valley Sdn. Bhd.	Inactive	Malaysia	100%	100%
Amshore Vista Sdn Bhd.	Dormant	Malaysia	100%	100%
Al Maurid Oil & Gas Sdn. Bhd.	Dormant	Malaysia	100%	100%
Intra Magnum Sdn. Bhd. #	Investment holding, management and operation of hotels and resorts, property investment and hotel management	Malaysia	75%	-
Held through Amshore Holdings Sdn. Bhd.				
Amshore KL Sdn. Bhd.	Inactive	Malaysia	66%	66%

Audited by Messrs. Baker Tilly Monteiro Heng for the purpose of consolidation in the financial statements of the Group.

(a) Acquisition of Intra Magnum Sdn. Bhd.

On 26 October 2016, the Company acquired a 75% controlling interest in the equity of Intra Magnum Sdn. Bhd with a consideration of RM18,750,000. Intra Magnum Sdn. Bhd. operates in hospitality industry as its core business and is domiciled in Malaysia. In determining and recognising the fair value of assets acquired and liabilities assumed, the Group has performed a purchase price allocation exercise for the acquisition during the year.

10. INVESTMENTS IN SUBSIDIARIES (con't)

(a) Acquisition of Intra Magnum Sdn. Bhd. (con't)

(i) Fair value of identifiable assets acquired and liabilities recognised:

	2017
	RM
Assets	
Property, plant and equipment	13,240,000
Intangible assets	14,217,329
Trade receivables	1,156,215
Cash and cash equivalents	5,899,570
Total assets	34,513,114
Liabilities	
Deferred tax liabilities	(793,239)
Other payable and accruals	(6,989,410)
Tax payable	(71,964)
Total Liabilities	(7,854,613)
Total identifiable net assets acquired	26,658,501
Bargain purchase gain arising from acquisition	(1,243,876)
Non-controlling interest in fair value	(6,664,625)
Fair value consideration transferred	18,750,000

(ii) Effects of acquisition on cash flows:

	RM
Fair value consideration transferred	18,750,000
Less: Cash and cash equivalents	(5,899,570)
Net cash outflows on acquisition	12,850,430

10. INVESTMENTS IN SUBSIDIARIES (con't)

(b) Non-controlling interests in subsidiaries

The subsidiaries of the Group that have material non-controlling interests ("NCI") is as follows:-

	Intra Magnum Sdn. Bhd.	Individually Immaterial subsidiary	Total
2017			
NCI percentage of ownership interest and voting interest	25%		
Carrying amount of NCI (RM)	7,161,721	(1,747,097)	5,414,624
Profit/(Loss) allocated to NCI (RM)	497,096	(644,266)	(147,170)

(c) Summarised financial information of material non-controlling interest

The summarised financial information before intra-group elimination of the subsidiary that have material NCI as at the end of each reporting period is as follows:-

	Intra Magnum Sdn. Bhd. RM
2017	
Assets and liabilities	
Non-current assets	27,562,289
Current assts	4,224,978
Non-current liabilities	(847,106)
Current liabilities	(2,293,279)
Net assets	28,646,882
Results	
Revenue	4,699,072
Profit for the financial period	1,988,381
Total comprehensive income	1,988,381
Cash flows used in operating activities	(5,459,357)
Cash flows used in investing activities	(376,900)
Net decrease in cash and cash equivalents	(5,836,257)

There is no restriction in the ability of the Group to access or use the assets and settle the liabilities of the subsidiaries.

11. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2017	2016
	RM	RM
At the beginning of the financial year/period	-	128,855
Acquisition of a subsidiary	793,239	-
Recognised in equity	-	(128,855)
Recognised in profit or loss (Note 7)	(27,362)	-
At the end of the financial year/period	765,877	-

Deferred tax liabilities:

	Group	
	2017	2016
	RM	RM
Fair value adjustment in respect of subsidary acquired	793,239	-
Difference between the carrying amount of intangible assets and its tax base	(27,362)	-
	765,877	-

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:-

	Group	
	2017	2016
	RM	RM
Deductible temporary difference in respect of expenses	2,502,001	2,183,949
Unused tax losses	27,343,944	25,792,981
Unutilised capital allowance	17,424,112	9,202,707
Unutilised reinvestment allowance	27,923,487	27,923,487
	75,193,544	65,103,124
@ 24%	18,046,451	15,624,750

12. INTANGIBLE ASSETS

	Rights and trademark Group 2017 RM	2016 RM
Cost		
At 1 July 2016	-	-
Acquisition of a subsidiary	14,217,329	-
At 30 June 2017	14,217,329	-
Accumulated Amortisation		
At 1 July 2016	-	-
Amortisation charge for the financial year	684,197	-
At 30 June 2017	684,197	-
Net Carrying Amount		
At 30 June	13,533,132	-

The intangible assets comprise of:-

	Group 2017 RM	2016 RM
Hotel management rights	13,423,376	-
Trademark	109,756	-
	13,533,132	-

13. INVENTORIES

	Group 2017 RM	2016 RM
At cost,		
Raw materials	372,214	186,040
Work-in-progress	32,222	56,918
Finished goods	169,293	167,630
	573,729	410,588

During the financial year/period, the cost of inventories recognised as an expense in cost of sales of the Group is RM7,534,661 (2016: RM13,371,805).

14. TRADE RECEIVABLES

	Group 2017 RM	Group 2016 RM
Non-current		
Retention sum	450,457	-
Current		
Trade receivables	6,621,173	2,807,130
Less: Allowance for impairment losses	(1,642,820)	(1,959,249)
Trade receivables, net	4,978,353	847,881

Included in the non-current and current trade receivables are amounts of RM450,457 (2016: RM Nil) and RM4,161,665 (2016: RM Nil) respectively due from related parties. These amounts are subject to normal trade term. Further information on related parties are disclosed in Note 24.

(a) Credit terms of trade receivables

Current
The Group's normal credit term ranges from 30 to 180 days (2016: 30 to 120 days). Other credit term are assessed and approved on a case to case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Ageing analysis of trade receivables

	Group 2017 RM	Group 2016 RM
Neither past due nor impaired	4,287,012	814,201
1 to 90 days past due but not impaired	682,044	33,680
91 to 180 days past due but not impaired	5,820	-
181 to 365 days past due but not impaired	3,477	-
	691,341	33,680
Impaired	1,642,820	1,959,249
	6,621,173	2,807,130

Receivables that are neither past due nor impaired
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired
The Group's trade receivables amounting to RM691,341 (2016: RM33,680) which are past due at the reporting date but not impaired are unsecured. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are monitored regularly by the management.

14. TRADE RECEIVABLES (con't)

(b) Ageing analysis of trade receivables (con't)

Receivables that are impaired
Movement in allowance accounts:-

	Group	
	2017	**2016**
	RM	**RM**
At the beginning of the financial year/period	1,959,249	2,137,485
Charge for the financial year/period (Note 5)	178,906	353,842
Reversal (Note 5)	-	(532,078)
Written off	(495,335)	-
At the end of the financial year/period	1,642,820	1,959,249

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current				
Other receivables	38,257	301,253	-	300,000
GST refundable	252,520	17,544	-	-
Deposits	591,329	213,778	14,931	24,831
Prepayments	62,124	427,233	16,746	17,432
	944,230	959,808	31,677	342,263

16. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2017	**2016**
	RM	**RM**
Amounts due from subsidiaries	3,718,069	3,410,306
Less: Allowance for impairment loss	(3,696,122)	(3,410,306)
	21,947	-

These amounts are non-trade in nature, unsecured, interest free, receivable on demand and expected to be settled in cash.

16. AMOUNTS DUE FROM SUBSIDIARIES (con't)

Movement in allowance accounts:-

	Company	
	2017	**2016**
	RM	**RM**
At the beginning of the financial year/period	3,410,306	2,962,640
Charge for the financial year/period (Note 5)	285,816	447,666
At the end of the financial year/period	3,696,122	3,410,306

17. DEPOSITS WITH A LICENSED BANK

The deposits are pledged to licensed banks as security for bank guarantees. The interest rate and maturities of deposits is at 3.2% (2016: 2.5%) per annum and 365 days (2016: 365 days) respectively.

18. SHARE CAPITAL AND SHARE PREMIUM

(a) Share Capital

Group/Company

	Number of shares		Amount	
	2017	**2016**	**2017**	**2016**
	Unit	**Unit**	**RM**	**RM**
Issued and fully paid:-				
Beginning of financial year/period	498,660,000	498,660,000	24,933,000	99,732,000
Par value reduction	-	-	-	(74,799,000)
Issued during the financial year/period				-
- private placement	296,702,700	-	17,365,835	-
End of financial year/ period	795,362,700	498,660,000	42,298,835	24,933,000

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months upon the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue of the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company residual interests.

18. SHARE CAPITAL AND SHARE PREMIUM (con't)

(a) Share Capital (con't)

During the financial year, the Company:

(i) issued 224,397,000 new ordinary shares at RM0.05 per ordinary share to satisfy the funding for the acquisition of the 75% equity interest in Intra Magnum Sdn. Bhd.; and

(ii) issued 72,305,700 new ordinary shares at RM0.085 per ordinary share for working capital purpose.

The new ordinary shares issued during the financial year/period rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Share Premium

Share premium comprises the premium paid on subscription of shares in the Company over and also above the par value of the shares.

Movement in share premium account:-

	Group/Company	
	As at 30.6.2017 RM	**As at 30.6.2016 RM**
At the beginning of the financial year/period	288,339	288,339
Share issuance expenses	(288,339)	-
At the end of the financial year/period	-	288,339

19. WARRANTS RESERVE

On 29 November 2013, the Company allotted and issued 25,000,000 warrants which were constituted under the Deed Poll dated 30 May 2013.

Salient features of the above warrants are as follows:

(i) each of the warrant entitles the holder to the right of exercise of one ordinary share in the Company. The number of warrants is subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll;

(ii) the close of business on the warrants is three (3) years from the date of issuance of the warrants; thereafter the outstanding warrants will cease to be valid for any purpose;

(iii) the new ordinary shares allotted and issued upon exercise of the warrants shall be fully paid and rank pari passu with the then existing ordinary shares of the Company. The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company; and

19. WARRANTS RESERVE (con't)

Salient features of the above warrants are as follows: (con't)

(iv) each warrant entitles its holder the right to subscribe for one ordinary share of RM0.20 each in the Company at any time up to the expiry date of 1 December 2016 at an exercise price of RM0.25 each payable in cash.

The number of warrants remains unexercised at the end of the financial year/period are follows:-

	Group/ Company	
	As at 30.6.2017 RM	**As at 30.6.2016 RM**
At the beginning of the financial year/period	25,000,000	25,000,000
Expired during the financial year/period	(25,000,000)	-
	-	25,000,000

The allocated fair values of free warrants are credited to a warrant reserve, which is non-distributable. The warrant reserve will be transferred to the share premium account upon the exercise of warrants.

The warrant reserve is computed based on the fair value per Warrant of RM0.04. The assumptions used to arrive at this fair value are as follows:-

Valuation model	: Black Scholes
Exercise price	: RM0.25
Expiry date	: 3 years
5-day volume weighted average market price of Bio Osmo shares	: RM0.115
Volatility rate	: 76.85%
Risk free rate	: 3.52%

As the above variables are subject to change upon the implementation of the warrants, the actual quantum of the components of the warrant reserve will only be determined upon issuance of the warrants. As such, the actual quantum may differ from the amount computed above.

20. TRADE PAYABLES

	Group	
	2017 RM	**2016 RM**
Non-current		
Retention sum	81,229	-
Current		
Trade payables	1,184,535	508,998

The normal trade credit term granted to the Group ranges from 30 to 120 days (2016: 30 to 120 days).

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other payables	6,743,619	669,988	4,827,125	34,029
GST payable	233,098	160,043	-	-
Deposit received	-	2,830,189	-	-
Accruals	606,135	383,190	175,595	100,752
	7,582,852	4,043,410	5,002,720	134,781

Included in other payables of the Group is an amount of RM946,319 (2016: RM Nil) due to a corporate shareholder of a subsidiary. This amount is unsecured, interest free and with no fixed term of repayment.

Other payables of the Group and Company included loans from third parties amounted to RM4,589,780 (2016: RM267,483). These amounts are unsecured, interest free and with no fixed term of repayment.

Deposit received represents down payment for the properties to be disposed as mentioned in Note 30(a).

22 AMOUNTS DUE TO DIRECTORS

The amounts due to directors of a subsidiary are non-trade in nature, unsecured, interest-free, repayable on demand and expected to be settled in cash.

23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 30 May 2016, Amshore Holdings Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into conditional sale and purchase agreement with a third party to dispose land and factory as mentioned in Note 30(b). The properties are classified as held for sale as the properties are expected to be recovered primarily through sale rather than continuing use.

Group	2017	2016
	RM	RM
At lower of carrying amount and fair value less cost to sell:		
At the beginning of the financial year/period	11,540,000	1,491,332
Transfer from property, plant and equipment (Note 9)	-	11,540,000
Disposal during the financial year/period	(11,540,000)	(1,491,332)
At the end of the financial year/period	-	11,540,000

24. RELATED PARTY DISCLOSURES

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Group and the Company have related parties relationship with its subsidiaries, corporate shareholder of a subsidiary, related parties, and key management personnel. Related parties refers to subsidiaries of a corporate shareholder of a subsidiary.

(b) Related party transactions and balances are as follows:-

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the financial year/period:-

	Group	
	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Management fee charged to related party	194,498	-
Repayment to a shareholder of a subsidiary	-	(980,000)
Technical fee charged to related parties	4,504,574	-

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 14, 16 and 21.

(c) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group.

The remuneration of the key management personnel is as follows:

	Group/Company	
	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Short-term employee benefits	531,158	738,953
Post-employment benefits	43,200	64,869
	574,358	803,822

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Total RM
Group		
2017		
Financial assets		
Trade receivables	4,978,353	4,978,353
Other receivables and deposits	629,586	629,586
Deposits with a licensed bank	305,700	305,700
Cash and bank balances	2,083,242	2,083,242
	7,996,881	7,996,881

	Financial liabilities at amortised cost RM	Total RM
2017		
Financial liabilities		
Trade payables	1,184,535	1,184,535
Other payables and accruals *	7,349,754	7,349,754
	8,534,289	8,534,289

	Loans and receivables RM	Total RM
Group		
2016		
Financial assets		
Trade receivables	847,881	847,881
Other receivables and deposits	515,031	515,031
Deposits with a licensed bank	305,700	305,700
Cash and bank balances	624,619	624,619
	2,293,231	2,293,231

25. FINANCIAL INSTRUMENTS (con't)

(a) Categories of financial instruments (con't)

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (con't)

	Financial liabilities at amortised cost RM	**Total RM**
Group		
2016		
Financial liabilities		
Trade payables	508,998	508,998
Other payables and accruals *	1,053,178	1,053,178
	1,562,176	1,562,176

	Loans and receivables RM	**Total RM**
Company		
2017		
Financial assets		
Other receivables and deposits	14,931	14,931
Cash and bank balances	1,579,135	1,579,135
	1,594,066	1,594,066

	Financial liabilities at amortised cost RM	**Total RM**
Financial liability		
Other payables and accruals	5,002,720	5,002,720

	Loans and receivables RM	**Total RM**
Company		
2016		
Financial assets		
Other receivables and deposits	324,831	324,831
Cash and bank balances	209,490	209,490
	534,321	534,321

25. FINANCIAL INSTRUMENTS (con't)

(a) Categories of financial instruments (con't)

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (con't)

	Financial liabilities at amortised cost	Total
Company	**RM**	**RM**
Financial liability		
Other payables and accruals	134,781	134,781

* Exclude deposit received for properties to be disposed and GST payable.

(b) Fair values

The methods and assumptions used to estimate the fair values of the following classes of financial assets and liabilities are as follows:-

(i) Cash and bank balances, trade and other receivables, trade and other payables

The carrying amounts are reasonable approximation of fair values due to short term nature of these financial instruments. The carrying amounts of the non-current trade receivables and trade payables are reasonable approximation of fair value due to the insignificant impact of discounting.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the directors and the Group's policy is not to engage in speculative transactions. The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

<u>Exposure to credit risk</u>

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and actions are taken to recover debts when due.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (con't)

(a) Credit risk (con't)

Credit risk concentration profile

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets as shown in the statements of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a continuity of funding.

The Group's and the Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintain sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM
2017				
Group				
Financial liabilities				
Trade and other payables	8,615,518	8,615,518	8,534,289	81,229
Amounts due to directors	389,026	389,026	389,026	-
	9,004,544	9,004,544	8,923,315	81,229
2017				
Company				
Financial liabilities				
Trade and other payables	5,002,720	5,002,720	5,002,720	-

The Group's and the Company's financial liabilities in the prior financial year are either matures within one year or repayable on demand.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM. The foreign currencies in which these transactions are denominated are mainly Singapore Dollar ("SGD").

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

Financial assets denominated in SGD are as follow:-

	Group	
	2017	**2016**
	RM	**RM**
SGD		
Trade receivables	1,794,642	1,859,248
Cash and bank balances	2,881	45,183
	1,797,523	1,904,431

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the SGD exchange rate against the functional currency of the Group, with all other variables held constant.

	Group	
	2017	**2016**
	RM	**RM**
SGD/RM - strengthened 5% (2016: 5%)	68,340	72,911
SGD/RM - weakened 5% (2016: 5%)	(68,340)	(72,911)

27. OPERATING LEASE COMMITMENTS

The Group and the Company entered into non-cancellable operating lease arrangements for rental of factory and rental of office. The leases have tenures ranging from two to three years (2016: two years). There is non-restriction placed upon the Group and the Company entering into this lease.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Group				
Future minimum rentals payable:				
Not later than one year	559,000	45,600	19,000	45,600
More than one year and not later than five years	495,000	19,000	-	19,000
	1,054,000	64,600	19,000	64,600

28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. There is no change in the objectives, policies or procedures during the financial period/year ended 30 June 2017 and 30 June 2016.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio within reasonable levels. There were no bank borrowings for the current financial year and previous financial period. Accordingly, calculation of gross debt equity ratio is not meaningful to the Group.

The Group is not subject to any externally imposed capital requirements.

29. SEGMENT INFORMATION

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. Management monitors the operating results of its business segment separately for the purpose of making decision about resource allocation and performance assessment.

29. SEGMENT INFORMATION (con't)

(a) Business segment

(i) Bottled water business
Processing, manufacturing and selling drinking water.

(ii) Hospitality business
Management and operation of hotels and resorts, property investment and hotel development.

2017	**Bottled water business RM**	**Hospitality business RM**	**Others RM**	**Elimination RM**	**Total RM**
Revenue	4,151,403	4,699,072	255,448	-	9,105,923
Net loss after tax	(11,126,612)	2,075,026	(1,323,808)	(696,919)	(11,072,313)

2016	**Bottled water business RM**	**Hospitality business RM**	**Others RM**	**Elimination RM**	**Total RM**
Revenue	10,180,492	-*	841,045	(389,344)	10,632,193
Net loss after tax	(3,988,982)	-*	(27,867,946)	24,671,914	(7,185,014)

* The Group ventures into hospitality business during the financial year, whereby the comparative figures is not applicable for the Group's decision making purpose and hence, it's not disclosed.

(b) Other segments

No other segmental information such as geographical segment, segment assets, segment liabilities and segment results is presented as the Group is principally involved in the manufacturing industry, investment holding and hotel management operate from Malaysia only.

29. SEGMENT INFORMATION (con't)

(c) Major customers

Revenue from major customers with revenue equal or more than 10% of the Group's revenue are as follows:-

	Year ended 30.6.2017 RM	Period from 1.1.2015 to 30.6.2016 RM
Major customers		
- Customer A	3,489,215	-
- Customer B	1,015,359	-
- Customer C	-	2,547,826
- Customer D	-	1,187,138

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 27 September 2016, the Company via an Extraordinary General Meeting approved the proposed disposal of freehold land and factory owned by a wholly-owned subsidiary of the Company together with the proposed tenancy of the said freehold land and factory pursuant to the conditional sale and purchase agreement and tenancy agreement both dated 30 May 2016. This proposed disposal was deemed completed on 29 December 2016 after the balance of the consideration had been received from the purchaser.

(b) On 15 September 2015, the Company had announced the proposed subscription of new ordinary shares in Intra Magnum Sdn. Bhd. ("IMSB") representing 75% of the enlarged issued and paid-up share capital in IMSB. This proposed subscription has been completed on 27 October 2016 in accordance with the terms and conditions of the Subscription Agreement.

31. COMPARATIVE FIGURES

The comparative figures of the preceding financial period covered a period of 18 months from 1 January 2015 to 30 June 2016 whilst the figures of the current financial year's financial statements covered a period of 12 months from 1 July 2016 to 30 June 2017. Accordingly, the statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows and their related notes are not in respect of comparable periods.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFIT OR LOSS

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profit or losses included in the retained earnings of the Group and of the Company as at 30 June 2017 and 30 June 2016 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The accumulated losses of the Group and of the Company as at reporting date are analysed as follows:-

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Total accumulated losses of the Company and its subsidiaries				
- realised	(91,789,523)	(41,198,151)	(26,857,450)	(24,732,404)
- unrealised	58,593	(1,965,634)	-	(2,092,500)
	(91,730,930)	(43,163,785)	(26,857,450)	(26,824,904)
Add: Consolidation adjustments	79,049,032	40,140,507	-	-
Total accumulated losses	(12,681,898)	(3,023,278)	(26,857,450)	(26,824,904)

The disclosure of realised and unrealised profits or loss above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

Statement By Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Shahrizal Hisham bin Dato' Setia Abdul Halim and Wong Kok Seong, being two of the directors of the Company, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 41 to 93, are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of their financial performance, and cash flows for the financial year then ended.

The supplementary information set out on page 94 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution dated 26 October 2017.

SHAHRIZAL HISHAM BIN DATO' SETIA ABDUL HALIM

WONG KOK SEONG

Statutory Declaration
Pursuant to Section 251(1) of the Companies Act 2016

I, Chang How Weng, being the officer primarily responsible for the financial management of Bio Osmo Berhad, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements as set out on pages 41 to 93 and the supplementary information set out on page 94 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHANG HOW WENG

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on 26 October 2017.

Before me,

KHATIJAH BINTI SHAIK HUSSAIN (W733)
Commissioner for Oaths

Independent Auditors' Report

TO THE MEMBERS OF BIO OSMO BERHAD (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bio Osmo Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 93.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Property, plant and equipment ("PPE") (Note 2(e)(i) and Note 9 to the financial statements)

We focused on this area because judgement is required in determining factors which may indicate that the property, plant and equipment are impaired. In addition, judgements and estimates are involved in determining the recoverable amount. The Group estimated the recoverable amount of the identified plant and equipment based on a valuation performed by an external independent valuer.

Our audit response:

Our audit procedures included, among others:

- evaluating the competence, capabilities and objectivity of the external valuer which included consideration of their qualifications and experience;

- understanding the scope and purpose of the valuation by reading the terms of engagement to assess whether any matters that might have affected their objectivity or limited the scope of their work;

- reading the valuation report and discussed with external valuer on their valuation approach and the significant judgements they made, including the selection of comparables and adjustments for differences in key attributes made to the transacted value of comparables; and

- assessing the valuation approach used and appropriateness of the key assumptions.

Business combination (Note 2(e)(ii) and Note 10 to the financial statements)

During the financial year ended 30 June 2017, the Group made a significant acquisition of Intra Magnum Sdn. Bhd. We focused on this area due to the following factors:

- complex judgement is involved in determining whether the transaction should be accounted for as a business combination or as an acquisition of an asset; and

- in accounting for Intra Magnum Sdn. Bhd. under MFRS 3 Business Combinations, the Group has to apply judgement on the purchase price allocation in relation to the valuation of the assets acquired which including intangible assets and the liabilities assumed.

Our audit response:

Our audit procedures included, among others,

- evaluating the competence, capabilities, and objectivity of the management's expert which included consideration of their qualification and experience;

- examining the subscription agreement and reviewing management's assessment that the acquisition of Intra Magnum Sdn. Bhd. should be accounted for as a business combination.

- assessing the appropriateness of the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date;

- testing the computation in the allocation of the purchase price to the different assets and liabilities; and

- assessing the appropriateness of the related disclosures in the financial statements

Intangible assets (Note 2(e)(iii) and Note 12 to the financial statements)

The Group has significant balances of intangibles assets which include hotel management rights and trademark. We focused on this area because the impairment assessment of the intangible assets requires the application of significant judgement by the Group on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections which include future revenue, gross profit margins and operating expenses.

Our audit response:

Our audit procedures focused on evaluating the cash flow projections and the Group's forecasting procedures which included, among others:

- assessing the appropriateness of the recoverable amount valuation methodology adopted by the Group in accordance with the requirements of MFRS 136 Impairment of Assets;
- comparing the Group's assumptions to our assessments in relation to key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions that are expected to be more sensitive to the recoverable amount of the intangible assets.

Going concern Note 2(d) and Note 2(e)(iv) to the financial statements)

The Group incurred a net loss of RM11,072,313 during the financial year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by RM1,185,721.

The directors have continued to adopt the going concern basis in preparing the financial statements after having considered the cash flow forecast supporting the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the end of the financial year.

The directors' assessment on the Group's ability to continue as a going concern was an area of focus as the assessment requires the exercise of significant judgement by the directors on assumptions supporting the cash flow forecast, including the revenue and profit margin, and these are fundamental to the appropriateness of the going concern basis which was adopted for the preparation of the financial statements.

Our audit response:

Our audit procedures included, among others,

- comparing the actual results with previous cash flow forecast to assess the performance of the business and historical accuracy of the forecast;
- reviewing the cash flow forecast by comparing the Group's assumptions to our assessments in relation to key inputs;
- testing the mathematical accuracy of the cash flow forecast calculation;
- performing stress tests for a range of reasonably possible scenarios; and
- assessing the appropriateness of disclosures in relation to going concern in the financial statements.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company 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 approved standards on auditing in Malaysia and International Standards on Auditing 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 Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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.

- 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 and the Company'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 or the Company'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 and of the Company 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 or the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out on page 94 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

BAKER TILLY MONTEIRO HENG
No. AF 0117
Chartered Accountants

HENG FU JOE
No. 02966/11/2018 J
Chartered Accountant

Kuala Lumpur
Date : 26 October 2017

Analysis of Shareholdings
AS AT 20 OCTOBER 2017

Number of Shares Issued	:	795,362,700
Voting rights	:	One vote for one ordinary share
No. of Shareholders	:	2,874

Distribution of shareholdings

Category	No. of Holders	%	No. of Shares	%
Less than 100	10	0.35	471	0.00
100 - 1,000	263	9.15	201,612	0.03
1,001 - 10,000	637	22.16	3,900,700	0.49
10,001 - 100,000	1,277	44.43	64,805,100	8.15
100,001 to less than 5% of issued shares	685	23.83	470,469,817	59.15
5% and above of issued shares	2	0.07	255,985,000	32.18
TOTAL	**2,874**	**100.00**	**795,362,700**	**100.00**

Thirty (30) Largest Shareholders

NOS.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Kenanga Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Ismail @ Farouk bin Abdullah	155,985,000	19.61
2	Al Maurid Resources Sdn Bhd	100,000,000	12.57
3	True Profit Holdings Limited	25,000,000	3.14
4	Sure Talent Holdings Limited	17,857,100	2.25
5	TA Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Tan Ann Gee	15,246,000	1.92
6	Goh Ten Fook	13,146,000	1.65
7	CIMB Group Nominees (Tempatan) Sdn Bhd		
	CIMB Islamic Trustee Berhad for PMB Shariah Mid-Cap Fund	10,100,000	1.27
8	Amanahraya Trustees Berhad		
	PMB Dana Al-Aiman	9,500,000	1.19
9	Lim Keng Chuan	8,838,100	1.11
10	SKT Supplies Sdn Bhd	8,000,000	1.01
11	Affin Hwang Nominees (Tempatan) Sdn Bhd		
	Exempt an for DBS Vickers Securities (Singapore) Pte Ltd (Clients)	7,527,800	0.95
12	Chong Hong Jong	7,300,000	0.92
13	Lim Keng Chuan	5,385,000	0.68
14	Khairil Annuar bin Mohd Said	5,282,800	0.66
15	M & A Nominee (Tempatan) Sdn Bhd		
	Pledged Securities Account for Najihah Hanim binti Ahmad Jamal Arbee (M&A)	5,000,000	0.63
16	Maybank Nominees (Tempatan) Sdn Bhd		
	Chuah Kim Seng	4,076,400	0.51
17	CIMSEC Nominees (Tempatan) Sdn Bhd		
	CIMB Bank for Tan Kim Heung (MY1989)	3,834,700	0.48
18	CIMSEC Nominees (Tempatan) Sdn Bhd		
	CIMB Bank for Koh Kin Lip (MY0502)	3,502,000	0.44

NOS.	NAME OF SHAREHOLDER	NO. OF SHARES	%
19	Tan Ai Luang	3,412,400	0.43
20	RHB Capital Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Hamzah bin Mohd Salleh (781003)	3,355,317	0.42
21	CIMB Group Nominees (Tempatan) Sdn Bhd		
	CIMB Islamic Trustee Berhad for PMB Shariah TNB Employees Fund	3,200,000	0.40
22	Affin Hwang Nominees (Tempatan) Sdn Bhd		
	DBS Vickers Secs (S) Pte Ltd for Teo Han Tong	3,000,000	0.38
23	Juasa Holdings Sdn Bhd	3,000,000	0.38
24	Yong Yew Sun	3,000,000	0.38
25	TA Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Khairil Annuar bin Mohd Said	2,891,100	0.36
26	Gan Chong Hui @ Henry Gan	2,800,000	0.35
27	CIMSEC Nominees (Tempatan) Sdn Bhd		
	CIMB for Mohd Ibrahim bin Mohd Nor (PB)	2,635,800	0.33
28	Mohd Said bin Md Salleh	2,550,000	0.32
29	HLB Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Tan Cheng Chai	2,500,000	0.31
30	Lim Kang Pow	2,400,000	0.30

SUBSTANTIAL SHAREHOLDERS		SHAREHOLDINGS		%
		Direct	Indirect	
1	Dato' Seri Ismail @ Farouk bin Abdullah	155,985,000	-	19.61
2	Al Maurid Resources Sdn Bhd	100,000,000	-	12.57
3	Zulkifli bin Musa	-	100,000,000[(a)]	12.57
4	Shahrizal Hisham bin Abdul Halim	-	100,000,000[(a)]	12.57

DIRECTORS' SHAREHOLDINGS		SHAREHOLDINGS		%
		Direct	Indirect	
1	Shahrizal Hisham bin Abdul Halim	-	100,000,000[(a)]	12.57
2	Wong Kok Seong			
	Affin Hwang Nominees (Tempatan) Sdn Bhd	10,000	-	0.00
3	Prof Dr Mohd Amy Azhar bin Haji Mohd Harif	-	-	0.00
4	Azrin Mirzhan bin Kamaluddin[(b)]	-	-	0.00
5	Dato' Latt Shariman bin Abdullah, JP[(b)]	-	-	0.00
6	Dato' Yahya bin A. Jalil[(b)]	-	-	0.00
7	Datuk Haji Mohammad Kamal bin Yan Yahaya[(b)]	-	-	0.00
8	Auzir bin Mohd Yaacob[(c)]	10,000	-	0.00

Note :

(a) Deemed interested by virtue of his interests in Al Maurid Resources Sdn Bhd.

(b) Appointed as Director on 24 October 2017.

(c) Resigned as Director on 24 October 2017.

Notice to Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of Bio Osmo Berhad will be held at Pinetree Hotel, 36 Jalan Mengkudu, Off Jalan Bukit Pasir, 83000 Batu Pahat, Johor Darul Ta'zim, Malaysia on Wednesday, 22 November 2017 at 11.30 a.m. for the following purposes : -

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 together with the Directors' and Auditors' Report thereon. **(Please refer to Explanatory Note A)**

2. To approve the payment of Directors' Fees and Benefits of RM133,500 (2016: RM162,000) for the financial year ended 30 June 2017 and Benefits Payable to the Directors up to RM70,000 from 1 July 2017 until the following Annual General Meeting of the Company. **RESOLUTION 1**

3. To re-elect the following Directors, who retire in accordance with Article 127 of the Company's Constitution and being eligible, have offered themselves for re-election:

   (i) Mr Wong Kok Seong **RESOLUTION 2**
   (ii) En Shahrizal Hisham bin Abdul Halim **RESOLUTION 3**

4. To re-elect the following Directors, who retire in accordance with Article 132 of the Company's Constitution and being eligible, have offered themselves for re-election:

   (i) En Azrin Mirzhan bin Kamaluddin **RESOLUTION 4**
   (ii) Dato' Latt Shariman bin Abdullah, JP **RESOLUTION 5**
   (iii) Dato' Yahya bin A. Jalil **RESOLUTION 6**
   (iv) Datuk Haji Mohammad Kamal bin Yan Yahaya **RESOLUTION 7**

5. To re-appoint Messrs Baker Tilly Monteiro Heng (AF 0117) as Auditors of the Company and to authorise the Directors to fix their remuneration. **RESOLUTION 8**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions: -

6. **ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016**

   "THAT pursuant to Section 76 of the Companies Act 2016 ("Act"), the provisions of the Company's Constitution and other relevant regulatory authorities, the Directors of the Company ("Board") be and are hereby empowered to allot and issue shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total number issued shares of the Company for the time being AND THAT the Board be and is also empowered to obtained the approval for the listing and quotation of the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") AND FURTHER THAT such authority shall continue to be in force until the conclusion of the following Annual General Meeting ("AGM") of the Company." **RESOLUTION 9**

7. **ORDINARY RESOLUTION - CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

   "THAT subject to the passing of Resolution 2 above, approval be and is hereby given to Mr Wong Kok Seong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **RESOLUTION 10**

8. **ORDINARY RESOLUTION - PROPOSED SHAREHOLDERS' RATIFICATION AND PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

   "THAT approval be and is hereby given to the Company and its subsidiaries ("Group") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature particulars which are set out in Section 3.7 and with the specified classes of related parties as specified in Section 3.6 of the Circular to Shareholders dated 31 October 2017, provided that: **RESOLUTION 11**

   (a) such arrangements and/or transactions are necessary for the Group's day-to-day operations;

   (b) such arrangements and/or transactions undertaken are in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third party;

(c) such arrangements and/or transactions are not detrimental to the minority shareholders of the Company; and

(d) the disclosure is made in the annual report on the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year in relation to:

(i) the related transacting parties and their respective relationship with the Company; and

(ii) the nature of the recurrent transactions.

THAT such authority shall continue to be in force until:

(a) the conclusion of the next AGM, unless the authority is renewed by a resolution passed at the next AGM; or

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but will not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier.

AND THAT all Recurrent Related Party Transactions entered into by Intra Magnum Sdn Bhd, a subsidiary of the Company, from 4 April 2017 up to the date of this Ordinary Resolution, particulars which are set out in Section 3.7 be and are hereby approved, confirmed and ratified;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

9. **SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY**

"THAT the Constitution of the Company be and are hereby amended in the manner as set out in Appendix I on page 106 to 111 of the Company's Annual Report 2017 to be in line with the Act. **RESOLUTION 12**

AND THAT the Directors be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Amendments to the Constitution of the Company."

10. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Constitution and the Act.

BY ORDER OF THE BOARD

SIEW SUET WEI (MAICSA NO. 7011254)
TEE SIEW LEE (LS0009570)
LIM YEN TENG (LS0010182)
Company Secretaries

Kuala Lumpur
Date: 31 October 2017

NOTES: -

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 November 2017 shall be eligible to attend the 10th AGM.

2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where two (2) proxies are appointed, a member shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid provided that where a member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 10th AGM shall have the same rights as the member to participate, speak and vote at the meeting

4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of 10th AGM will be put to vote by poll.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

7. The instrument appointing a proxy must be deposited at the Company's Registered Office at 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

EXPLANATORY NOTE A

This Agenda item is meant for discussion only as under the provisions of Section 340(1) of the Companies Act 2016, the audited financial statements do not require the approval of the shareholders. As such, this matter will not be put forward for voting.

EXPLANATORY NOTES TO SPECIAL BUSINESS

1. Resolution 9

   The proposed Ordinary Resolution, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate.

   The renewal of the mandate for the issue of shares was approved by its shareholders at the AGM held on 6 December 2016. Pursuant to the mandate granted by the shareholders at the AGM held on 6 December 2016, the Company issued a total of 72,305,700 new ordinary shares at an issue price of RM0.085 each in the share capital of the Company ("Private Placement"). The Private Placement had raised gross proceeds of approximately RM6.146 million.

   The details of the utilisation of proceeds raised from the Private Placement are as follows:-

Purpose	Proposed utilisation as per announcement dated 29 March 2017	Actual utilisation as at 30 June 2017	Intended timeframe for utilisation	Balance unutilised	
	RM'000	RM'000		RM'000	%
Working capital	4,286	3,833	Within 24 months	453	7.37
Business expansion	1,594	468	Within 24 months	1,126	18.32
Expenses in relation to Private Placement[(1)]	266	266	Within 1 month	-	-
TOTAL	6,146	4,567		1,579	25.69

   Note:
   (1) This includes payment of fees to the relevant regulatory authorities, advisory and placement fees as well as any other incidental expenses in connection with the Private Placement.

   This authority will, unless revoked or varied by the Company in general meeting, will expire at the next AGM. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

2. Resolution 10

   Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than 9 years.

   The Nomination Committee and the Board of Directors had assessed the independence of Mr Wong Kok Seong and concluded that the Director continues to provide proper check and balance to the Board and therefore, also brings an element of objectivity to the Board of Directors. Therefore, the Nomination Committee is satisfied and proposed that Mr Wong Kok Seong be retained to continue as an Independent Director.

   The proposed Resolution 10, if passed, will enable Mr Wong Kok Seong to continue to act as an Independent Non-Executive Director of the Company.

3. Resolution 11

   For further information on the proposed Ordinary Resolution, please refer to the Circular to Shareholders dated 31 October 2017 accompanying the Annual Report of the Company for the financial year ended 30 June 2017.

4. Resolution 12

   The Proposed Amendments to the Constitution of the Company is to align the Constitution with the Companies Act 2016, which is effective from 31 January 2017.

STATEMENT ACCOMPANYING NOTICE OF 10TH ANNUAL GENERAL MEETING
(pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There are no individuals who are standing for election as directors (excluding directors standing for a re-election).

APPENDIX I

DETAILS OF THE PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

The following Memorandum and Articles of Association of the Company be amended to be in line with the new Companies Act, 2016:-

Memorandum of Association

Clause No.	Existing Provision	Proposed Amendment
Clause 4	To exercise all or any of the powers contained in the Third Schedule of the Companies Act, 1965.	Section 21 of the Act shall apply. The paragraphs as contained in the Third Schedule of the Act shall apply to the Company except in so far as the same is repeated or contained in this Constitution.
Clause 6	The authorised share capital of the Company is Ringgit Malaysia Seventy Seven Million and Five Hundred Thousand (RM77,500,000.00) comprising and divided as follows: (i) Ringgit Malaysia Fifty Seven Million and Five Hundred Thousand (RM57,500,000.00) divided into 1,150,000,000 Shares of RM0.05 each; and (ii) Ringgit Malaysia Twenty Million (RM20,000,000.00) divided into One Hundred Million (100,000,000) Preference Shares of RM0.20 each.	Delete in its entirely

Articles of Association

Article No.	Existing Provision	Proposed Amendment
Article 1 Table A	The regulations constituting Table A of the Fourth Schedule of the Act shall not apply to the Company.	Delete in its entirely.
Article 2 (1) Definitions	(a) 'the Act' : The Companies Act 1965, and every statutory modification or re-enactment thereof for the time being in force (x) 'Subsidiary' : As defined by Section 5 of The Act	(a) 'the Act' : The Companies Act 2016, and every statutory modification or re-enactment thereof for the time being in force (x) 'Subsidiary' : As defined by Section 4 of the Act
Article 8 Instrument of Transfer	The expression 'Instrument of transfer' shall mean Form 32A of the Companies Regulations 1966 or such modification or replacements of it as may be prescribed from time to time under the Act or its subsidiary legislation unless expressly stated otherwise.	Delete in its entirely.
Article 11 Share Capital	The authorised share capital of the Company is RM77,500,000.00 divided into 1,150,000,000 Shares of RM0.05 each and 100,000,000 ICPS of RM0.20 each.	The share capital of the Company is its issued share capital.

Article 12 Variation of class right	If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Sections 55 and 65 of the Act and whether or not the Company is being wound up) be varied or abrogated with: (1) the consent in writing of the holders of three-fourths of the issued shares of that class; or (2) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be 2 persons at least holding or representing by proxy one-third of the issued shares of the class (but so that if at any adjourned meeting of such holders, a quorum is not present, the holders present, shall form a quorum), and any holder of shares of the class present in person or by proxy may demand a poll.	If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with: (1) the consent in writing of the holders of three-fourths of the issued shares of that class; or (2) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be 2 persons at least holding or representing by proxy one-third of the issued shares of the class (but so that if at any adjourned meeting of such holders, a quorum is not present, the holders present, shall form a quorum), and any holder of shares of the class present in person or by proxy may demand a poll. On a poll, the holders of the shares shall have one vote for every share of the class held by them respectively. To every such special resolution, the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply.
Article 14 No deemed variation	Subject to Section 65 of the Act, the rights attached to any class shall not (unless otherwise provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking in any respect pari passu with that class.	The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all respects pari passu therewith.
Article 16 Restrictions on issue	Article 15 shall be subject to the following provisions: (1) no Director shall participate in an issue of shares to employees unless: (a) the Members in general meeting have approved the specific allotment to such director; and (b) such Director holds office in an executive capacity or if he does not hold such office, participates in an issue of shares pursuant to an offer or issue of shares to the public;	Article 15 shall be subject to the following provisions: (1) no Director shall participate in an issue of shares to employees unless: (a) the Members in general meeting have approved the specific allotment to such director; and (b) such Director holds office in an executive capacity or if he does not hold such office, participates in an issue of shares pursuant to an offer or issue of shares to the public;

	(2) no shares shall be issued at a discount except in accordance with Section 59 of the Act; (3) the rights attaching to shares of a class other than ordinary shares shall be expressed.	(2) no shares shall be issued at a discount except in accordance with Section 80 of the Act; (3) the rights attaching to shares of a class other than ordinary shares shall be expressed.
Article 20 Commission	The Company may exercise the powers of paying commissions by Section 58 of the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the rate of the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per cent (10%) of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.	The Company may exercise the powers of paying commissions by Section 80 of the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the rate of the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per cent (10%) of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.
Article 29 Shares certificates	Every share certificate shall be sealed in accordance with these Articles and Section 100 of the Act and bear the signature reproduced by mechanical/electronic and by any other means in accordance with these Articles and shall specify the shares to which it related and the amount paid thereon. The share certificate shall also comply with the requirements of these Articles, such Section and the applicable Listing Requirements of Bursa Malaysia and (where applicable) the Central Depositories Act and the Rules. Subject to the provision of the Central Depositories Act and the Rules, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity being given by the shareholder, transferee, person entitled, purchaser member company of Bursa Malaysia or on its behalf and on delivery of the old certificate and in any case on payment of such sum not exceeding RM3.00 only per certificate or such other sum as may from time to time be permitted by Bursa Malaysia or as the Directors may determine including the amount of the proper duty with which each certificate is chargeable under any law for the time being in force relating to stamps. In case of destruction, loss or theft of a share certificate, a shareholder or person entitled to which such renewed certificates is given shall also bear the loss and pay the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss.	The Registrar of the Company shall only issue jumbo certificates in respect of shares or Securities in favour of Bursa Malaysia Depository Nominees Sdn Bhd as he may be directed by the Securities.
Article 43 Transfer of Securities	Subject to the Act, these Articles, the Central Depositories Act and the Rules, the transfer of any securities or class of listed securities of the Company shall be made by way of book entry by the Central Depository in accordance with	Subject to the Act, these Articles, the Central Depositories Act and the Rules, the transfer of any securities or class of listed securities of the Company shall be made by way of book entry by the Central Depository in accordance with the

	the Rules and, notwithstanding Sections 103 and 104 of the Act, be subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall precluded from registering and effecting any transfer of securities.	Rules and, notwithstanding Sections 105 and 109 of the Act, be subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall precluded from registering and effecting any transfer of securities.
Article 52 Branch register	(1) The Company may establish and keep in any place outside Malaysia a branch register of its Members in accordance with Section 164 of the Act. (4) The Local Authority shall from time to time transmit to the Office copies of every entry on any branch register as required by Section 164 of the Act.	(1) The Company may establish and keep in any place outside Malaysia a branch register of its Members in accordance with Section 53 of the Act. (4) The Local Authority shall from time to time transmit to the Office copies of every entry on any branch register as required by Section 53 of the Act.
Article 69 Consolidation division and cancellation	The Company may by ordinary resolution: (1) consolidate and divided all or any of its share capital into shares of larger amount; (2) (subject to Section 62(1) of the Act) subdivide its existing shares or any of them into shares of smaller amount. (3) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.	The Company may alter its share capital by passing a special resolution to: (1) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; (2) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; (3) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or (4) cancel any shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.
Article 76 Calling of meetings	The Directors may call general meetings, and, on the requisition of Members who hold at the date of the deposit of the requisition not less than one-tenth of such paid-up capital of the Company as at the date of the deposit carries the right to vote at general meetings pursuant to Section 144 of the Act, forthwith proceed to convene an extraordinary general meeting for a date not later than 2 Months after receipt of the requisition. If there are insufficient Directors within Malaysia to form a quorum to call a general meeting, any Director may call a general meeting.	This Directors may whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition as is referred to in Section 312 of the Act, or if the Company makes default in convening a meeting in compliance with a requisition received pursuant to Section 312 of the Act, a meeting may be convened by such requisitionists themselves in the manner provided in Section 313 of the Act. Any meeting convened by requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Article 101 Appointment of proxies	(2) A Member may appoint up to 2 proxies to attend on the same occasion. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.	(2) A Member may appoint up to 2 proxies to attend on the same occasion. A proxy may but need not be a Member. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
Article 122 Disposal of substantial portion of undertaking etc.	The Directors shall not without the prior approval in general meeting:- (a) carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's undertaking or property. (b) exercise any power of the Company to issue shares unless otherwise permitted under the Act. (c) subject to Section 132E of the Act, carry into effect or enter into any arrangement or transaction with the Company or its holding Company to acquire from or dispose to such a director or person connected with such a Director any shares or non-cash assets of the requisite value.	The Directors shall not without the prior approval in general meeting:- (a) carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's undertaking or property. (b) exercise any power of the Company to issue shares unless otherwise permitted under the Act. (c) subject to Section 228 of the Act, carry into effect or enter into any arrangement or transaction with the Company or its holding Company to acquire from or dispose to such a director or person connected with such a Director any shares or non-cash assets of the requisite value.
Article 126 Register of charges	The Company shall keep a 'register of charges' in accordance with Section 115 of the Act. No fee shall be charged for any inspection of such register by a Member or a creditor of the Company.	The Company shall keep a 'register of charges' in accordance with Section 362 of the Act. No fee shall be charged for any inspection of such register by a Member or a creditor of the Company.
Article 159 Power of authenticate	Any Director or the Secretary of the Company or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company including (without limitation): (1) the Memorandum and Articles of Association; (2) any minutes of or resolutions passed by the Company, the Directors, any committee of Directors or any local board; (3) any books, records, documents and accounts relating to the Company's business and to certify copies of or extracts from them as true copies or extracts.	Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Directors, and any books, records, documents and accounts relating to the business of the Company, and to certify, copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are kept elsewhere other than in the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. A document purporting to be a copy of a resolution of the Directors or an extract from the minutes of a meeting of the Directors which is certified as such in accordance with the provisions of the last preceding Article shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as

		the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors.
Article 161 Seal	(4) The Company may exercise the powers conferred by Section 101 of the Act with regard to a duplicate common seal, and such powers shall be vested in the Directors. The provisions in Articles 161(2) and (3) as to signatures (autographic and facsimile) and the dispensation of signatures shall apply to the affixing of such duplicate seal. (5) The Company may exercise the power conferred by Section 35(8) of the Act with regard to an official seal for use outside Malaysia, and such powers shall be vested in the Directors.	(4) Delete in its entirely. (5) The Company may exercise the power conferred by the provisions of the Act with regard to an official seal for use outside Malaysia, and such powers shall be vested in the Directors.
Article 179 Restriction on appointment	No person may be appointed auditor of the Company if he cannot consent to be appointed auditor under Section 9(1) of the Act. The duties of the auditors or auditors shall be regulated by the Act.	Auditors shall be appointed in accordance with Section 271 of the Act and their duties regulated in accordance with Section 266 of the Act.

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Form of Proxy

BIO OSMO BERHAD
(740838-A)
Incorporated In Malaysia

No. of shares held		
CDS Account No.		
No. of shares to be represented by each proxy	Proxy 1	Proxy 2

I/We ______________________________ of ____________________

____

being a member/members of Bio Osmo Berhad, hereby appoint (1) Mr/Ms ____________________

____________________ (NRIC No. ____________) of ____________________

____ or failing whom,

Mr/Ms ____________________ (NRIC No. ____________) of ____________________

____

(the next name and address should be completed where it is desired to appoint two proxies) *(2) Mr/Ms____________________

____________________ (NRIC No. ____________) of ____________________

or failing whom, Mr/Ms ____________________ (NRIC No. ____________) of ____________________

____

or the CHAIRMAN OF THE MEETING, as *my/our proxy, to vote for *me/us and on *my/our behalf at the 10th Annual General Meeting of the Company to be held at Pinetree Hotel, 36 Jalan Mengkudu, Off Jalan Bukit Pasir, 83000 Batu Pahat, Johor Darul Ta'zim, Malaysia on Wednesday, 22 November 2017 at 11.30 a.m. and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

		For	**Against**
RESOLUTION 1	To approve the payment of Directors' Fees and Benefits of RM133,500 (2016: RM162,000) for the financial year ended 30 June 2017 and Benefits Payable to the Directors up to RM70,000 from 1 July 2017 until the following Annual General Meeting of the Company.		
RESOLUTION 2	To re-elect Mr Wong Kok Seong who retires in accordance with Article 127 of the Company's Constitution.		
RESOLUTION 3	To re-elect En Shahrizal Hisham bin Abdul Halim who retires in accordance with Article 127 of the Company's Constitution.		
RESOLUTION 4	To re-elect En Azrin Mirzhan bin Kamaluddin who retires in accordance with Article 132 of the Company's Constitution.		
RESOLUTION 5	To re-elect Dato' Latt Shariman bin Abdullah, JP who retires in accordance with Article 132 of the Company's Constitution.		
RESOLUTION 6	To re-elect Dato' Yahya bin A. Jalil who retires in accordance with Article 132 of the Company's Constitution.		
RESOLUTION 7	To re-elect Datuk Haji Mohammad Kamal bin Yan Yahaya who retires in accordance with Article 132 of the Company's Constitution.		
RESOLUTION 8	To re-appoint Messrs Baker Tilly Monteiro Heng (AF 0117) as Auditors of the Company and to authorise the Directors to fix their remuneration.		
RESOLUTION 9	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.		
RESOLUTION 10	To approve Mr Wong Kok Seong to continue in office as an Independent Non-Executive Director.		
RESOLUTION 11	Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
RESOLUTION 12	Proposed Amendments to the Constitution of the Company		

Dated this __________ day of ____________ 2017

____
Signature(s)/Common Seal of Member

NOTES:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 November 2017 shall be eligible to attend the 10^{th} AGM.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where two (2) proxies are appointed, a member shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid provided that where a member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 10th AGM shall have the same rights as the member to participate, speak and vote at the meeting
4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of 10th AGM will be put to vote by poll.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
7. The instrument appointing a proxy must be deposited at the Company's Registered Office at 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

AFFIX
STAMP

The Company Secretary

BIO OSMO BERHAD (740838-A)

5-9A The Boulevard Offices
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Federal Territory

2ND FOLD HERE

1ST FOLD HERE

BIO OSMO BERHAD

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83000 Batu Pahat,
Johor Darul Takzim, Malaysia.
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