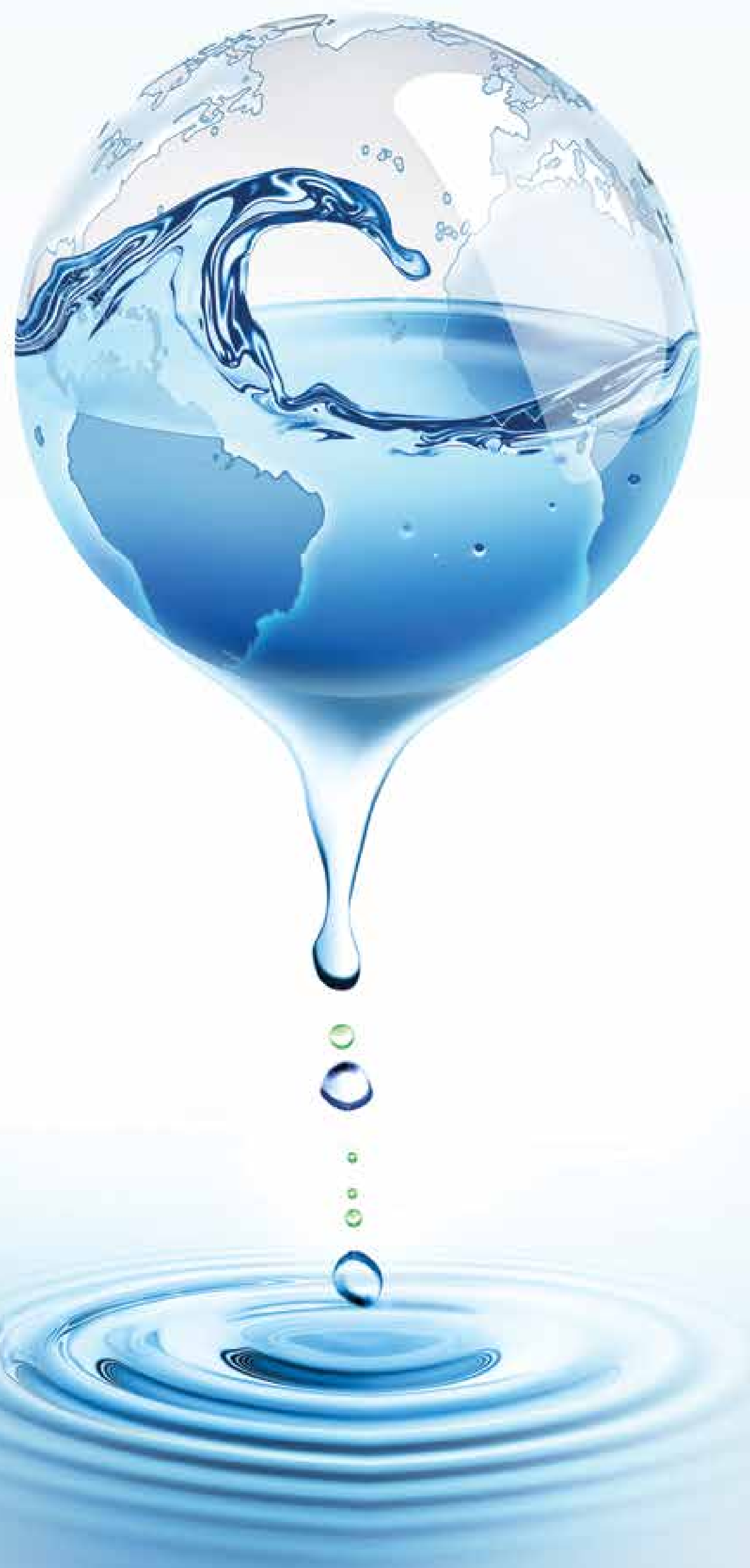
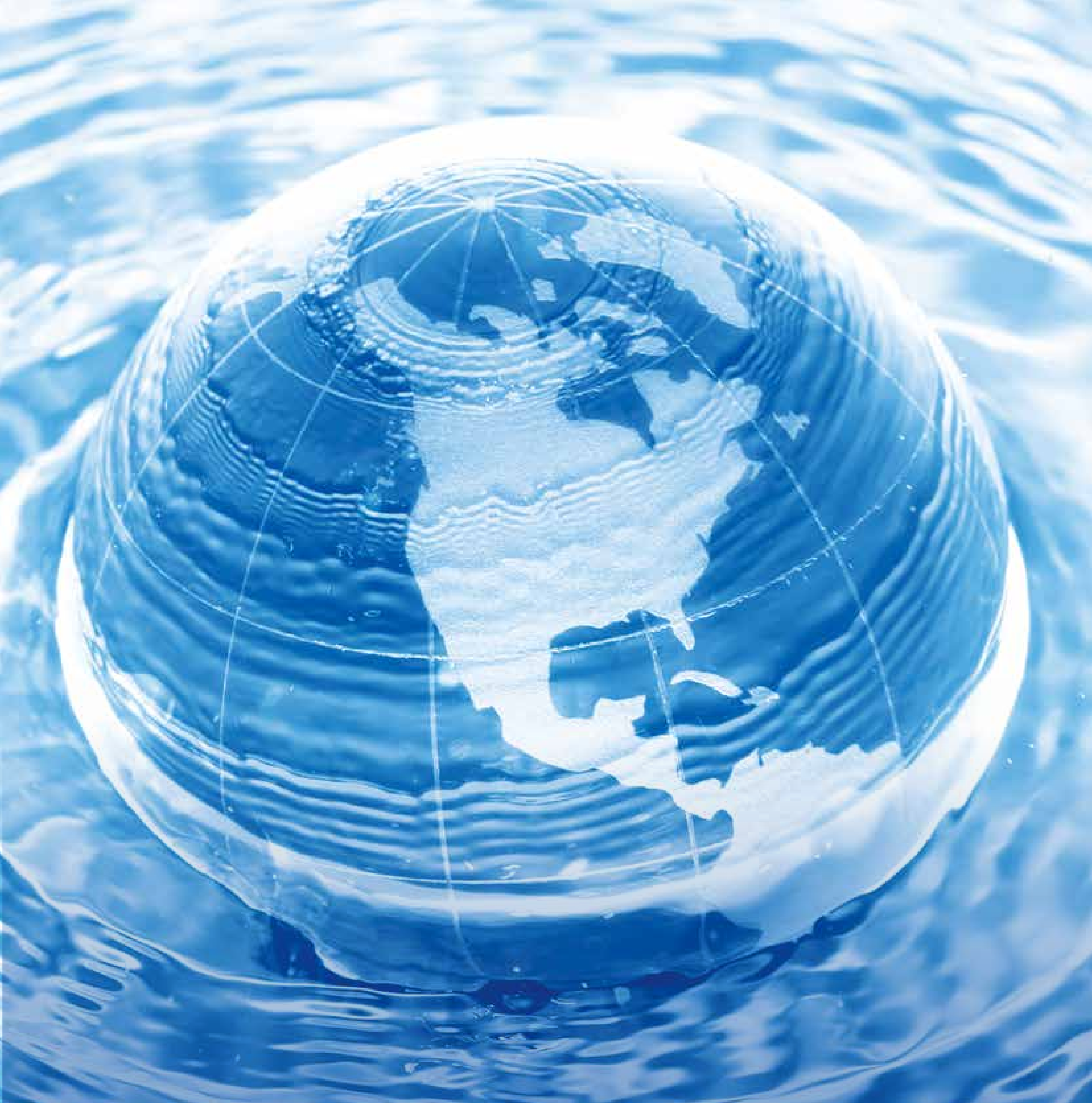
BIO OSMO BERHAD

ANNUAL REPORT 2016





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EN SHAHRIZAL HISHAM BIN ABDUL HALIM
Executive Director

MR WONG KOK SEONG
Independent Non-Executive Director

EN AUZIR BIN MOHD YAACOB
Independent Non-Executive Director

PROF. DR MOHD AMY AZHAR BIN HAJI MOHD HARIF
Independent Non-Executive Director

AUDIT COMMITTEE
Chairman
Mr Wong Kok Seong

Members
En Auzir bin Mohd Yaacob
Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif

NOMINATION COMMITTEE
Chairman
Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif

Member
Mr Wong Kok Seong
En Auzir bin Mohd Yaacob

REMUNERATION COMMITTEE
Chairman
En Auzir bin Mohd Yaacob

Member
Mr Wong Kok Seong
Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif

COMPANY SECRETARY
Ms Siew Suet Wei
MAICSA No.7011254

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Lingkaran Syed Putra
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59200 Kuala Lumpur, Malaysia.
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Fax :+603 2282 9980

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Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
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47301 Petaling Jaya, Malaysia.
Tel : +603 7841 8000
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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
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STOCK EXCHANGE LISTING
Main Market of the Bursa Malaysia Securities Berhad
Stock Code: 7243

WEBSITE
www.bioosmobhd.com

GROUP STRUCTURE

Amshore Holdings Sdn Bhd
Process, manufacture and distribute of drinking water and other beverages
100%

Amshore Vista Sdn Bhd
Trading and distribution of beverages and related consumer products
100%

Amshore KL Sdn Bhd
Process, manufacture and distribute of drinking bottled water
(held through Amshore Holdings Sdn Bhd)
66%

BIO OSMO BERHAD

Intra Magnum Sdn Bhd
Hotels and resorts management and operation; hotels and resort properties development and Investment
(pending completion)
75%

Al Maurid Oil & Gas Sdn Bhd
Dormant
100%

Morning Valley Sdn Bhd
Investment holding Company
100%

PROFILE OF BOARD OF DIRECTORS & KEY MANAGEMENT STAFF

1. SHAHRIZAL HISHAM BIN ABDUL HALIM
Malaysian, aged 48, Male
Executive Director

En Shahrizal Hisham was appointed to the Board of Bio Osmo Bhd on 1 March 2014. He graduated with a Bachelor of Law (Honours) from The University of Wolverhampton in United Kingdom. He began his legal practise with Messrs Sri Ram, Advocate & Solicitors. Subsequently he joined another legal firm, Lawrence Hisham & Co., Advocates & Solicitors as a partner. 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 D & C Sakura Merchant Bankers Berhad as an officer in the Corporate Banking Department from year 1993 to 1995.

En Shahrizal attended all ten (10) Board Meetings held during the period from 1 January 2015 to the financial year ended 30 June 2016. 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.

2.WONG KOK SEONG
Malaysian, aged 47, Male
Independent Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

Mr Wong was appointed to the Board of Bio Osmo Bhd 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, Mr Wong has gained extensive exposure with a United Kingdom accounting firm, Appleby & Wood, where he was an audit partner from 1999 to 2005. He is responsible for the preparation of business plans, budgets and organisational financial statements, due diligence, accounting & taxation, and project financing.

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 made Independent Non-Executive Director of PNE PCB Berhad, Trive Property Group Berhad and MNC Wireless Berhad. Over the last few years, Mr Wong has extensively been involved in a wide range of businesses, such as trading, manufacturing and property development.

Mr Wong attended all ten (10) Board Meetings held during the period from 1 January 2015 to the financial year ended 30 June 2016. 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.

3. AUZIR BIN MOHD YAACOB
Malaysian, aged 64, Male
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee
Member of Nomination Committee

En Auzir was appointed to the Board of Bio Osmo Bhd on 16 July 2007. He holds a Diploma from the Chartered Institute of Marketing, United Kingdom, and a Masters of Business Administration from Universiti Utara Malaysia.

He began his career as an officer with the Federal Land Consolidation and Rehabilitation Authority Bhd (FELCRA) in 1972. During his tenure at FELCRA, he participated in numerous large-scale projects to improve the development of rural areas to assist rural communities. He was also involved in the implementation of marketing assistance activities of rubber products for the rural community in Slim River, Perak, and strategising of development and poverty reduction plans for the State of Perak. He left FELCRA in 1989 to join Perbadanan Nasional Bhd (PNS) until his resignation in September 2011.

En Auzir attended all ten (10) Board Meetings held during the period from 1 January 2015 to the financial year ended 30 June 2016. 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.

4. PROF. DR MOHD AMY AZHAR BIN HAJI MOHD HARIF
Malaysian, aged 43, 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 of Bio Osmo Bhd 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.

Prof. Dr Amy is the holder of Ph.D in Franchising and Financial Planning, Master in Business Administration (Management) and Bachelor in Accounting (Hons.). He is also a Chartered Accountant and a member of the Malaysia Institute of Accountants. He is currently attached to the Faculty School of Economics, Finance and Banking, College of Business, Universiti Utara Malaysia ("UUM") as Professor.

Prof. Dr Amy 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. Prof. Dr Amy was appointed by MECD as Committee member of National Franchise Master Plan, Master Franchise Product Development and Malaysia Franchise Advisory Board.

He attended all ten (10) Board Meetings held during the period from 1 January 2015 to the financial year ended 30 June 2016. 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.

5. CHANG HOW WENG
Malaysian, aged 51, Male
Group Chief Operating Officer

Mr Chang joined Bio Osmo Bhd 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 also assists the Executive Director on corporate planning, operations and pricing strategies for the Group's various products. In addition, he is also tasked to introduce and implement internal control procedure for the Group companies.

Mr Chang holds a Bachelor of Business Administration (cum laude) degree, majoring in Finance & Banking from the University of Mississippi, U.S.A. He has over 25 years working experience in the financial services sector, in particular stock broking, private equity investment, corporate finance and advisory. Over 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 THE SHAREHOLDERS

"Intra Magnum will set forth a new era for Bio Osmo as we make our foray into the hospitality business. We anticipate a healthy and stable income stream from this venture."

My fellow shareholders,

Once again I have the privilege to write to you again on this platform and to share with you an overview of our Group and Company during the last 18 months and the prospects laying ahead for us.

As I stated in the previous Annual Report, whereby we would continue to explore new opportunities to create new income base, I am pleased to inform you that we are in the midst of completing the subscription of a 75% equity stake of Intra Magnum Sdn. Bhd. for RM18.75 million. Impiana Sdn. Bhd., which holds the balance 25% stake, is 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 ASEAN region.

Intra Magnum owns three parcels of commercial land at the former Impiana Resort Cherating, a seafront beach resort about 45 km North of Kuantan town. Intra Magnum, together with Impiana Hotel Group, will jointly re-develop the resort into a new beach resort, service suites and villas with a combined gross development value estimated at over RM300 million.

Besides the 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 ten years. Whilst the development of the resorts at Cherating and Tioman are still ongoing, Intra Magnum has been appointed as development consultant for these two resorts, as well as Impiana Pangkor Hotel & Resort which is currently in the development stage.

In summary, the hotel management fee at Ipoh and the development management consultancy fees for Cherating, Tioman and Pangkor will constitute the immediate revenue and income stream to Intra Magnum. At a longer term, when the constructions at Cherating and Tioman are completed, Intra Magnum will be entitled to hotel management fees from these two resorts. On top of that, Intra Magnum will also be entitled to partial development profits from the Cherating project when it is completed.

At the same time, Impiana Hotel Group has also assigned to Intra Magnum the right to use the "Elitus" trademark and brandname through a Deed of Assignment. The Elitus brand will be targeted at the families and leisure travellers' segment of the hospitality business, thus differentiating with the "Impiana" brandname which will be used by Impiana Hotel Group on the business segment of the hotel industry.

We look forward to working closely with Impiana. Impiana will be our strategic partner and will provide the expertise and core competencies in guiding us in our future endeavours in this sector.

Simultaneous to the Intra Magnum investment, our Company has also issued 224 million new ordinary shares to several investors to raise some RM11.2 million cash to part finance the Intra Magnum investment. The new shares issued account for 31% equity interest of Bio Osmo's enlarged share capital. Following this share issuance, our Company's share capital base has increased to 723 million shares, or RM36 million based on our par value of RM0.05 per share.

Despite the move into the hospitality business, our existing bottled drinking water will remain a pillar of our company's operational base. Whilst the beverage business is facing a gloomy outlook due to pricing squeeze and rising production costs, we will continue to do our best to weather through these difficult times. On this score, I am delighted to inform you that we have successfully secured several previous large customers who left us a while ago. We are confident to revitalise some of these dormant accounts, which will

EXECUTIVE DIRECTOR'S LETTER TO THE SHAREHOLDERS

contribute positively to our revenue in the near future. Although the orders from these customers are still low, we believe we can secure more businesses with them, as we demonstrate our consistency in fulfilling their orders. Our aggressive sales team will continue to explore new customer base, mainly in the southern region and Singapore. With determination, we will gradually regain the lost market share. At the same time, we remain steadfast in our efforts to control our production costs while preserving product quality. Our management team and production staff are resolute to uphold these practices at all times.

Speaking of best practice, the Board of Directors and management team have worked endlessly to fine-tune the Company's internal control system. We have invested considerable time and energy to improve our risk management policies, where we identified and assessed the potential risks in the work place and introduced mitigation procedures and action plans. The Internal Auditor has also been tasked to conduct a wider scope of work to analyse and identify any shortcomings in our operations. Their findings and recommendations, which were reported to the Audit Committee, were duly accepted and are being implemented.

In addition, with the advice and assistance of our Company Secretary and Internal Auditor, the Board has also prepared, deliberated and approved comprehensive Corporate Governance Statement and Statement of Risk Management & Internal Control, which will be the guiding principles for us to move forward. We have also put the finishing touches to the roles and responsibilities of the Audit Committee Report. These Statements and Report are attached herein on this Annual Report for your perusal. We have also uploaded these vital statements onto our corporate website.

In order to improve the efficiency of our cashflow management, we have secured a purchaser to take over our main bottled water factory and office building in Batu Pahat for RM12.0 million. The disposal consideration was arrived upon a willing-buyer and willing-seller basis after taking into consideration the appraised value by a registered valuer, Appraisal (Malaysia) Sdn. Bhd. The carrying cost of this property in our balance sheet was RM11.457 million as at 30 June 2016. At the same time, we have also secured the tenancy of the factory and office building for a period of three years, with the option for us to renew for a further two terms of three-year each. In other words, we have locked in our tenancy for the usage of the factory and office space for a period of nine years so that we have no apprehension to continue operating our bottled drinking water plant at the site. An Extraordinary General Meeting was held on 27 September 2016, where shareholders have voted favourably on the disposal as well as on the tenancy. We expect the disposal exercise to complete later part of this year.

The move will help us to unlock the Company's values and keep the balance sheets light. In financial terms, this translates to improvement in our Returns on Assets, ROA. More importantly, the proceeds from the disposal will come in handy towards our working capital requirement, as well as to fund future expansion plans.

For the 18-month financial year ended 30 June 2016, our Company achieved a group revenue of RM10.63 million, against RM5.07 million recorded during the preceding 12-month period ended 31 December 2014. On annualised basis, revenue grew by 39.7% year-on-year during the periods. Net losses has significantly shrunk to RM7.19 million during the 18-month period ended 30 June, from RM20.53m recorded in FY2014. The comparison may not be reflective though, given that FY2014's accounts included RM11.80 million impairments of property, plant, equipment and certain trade receivables. But what worth noting is that our Company can now move forward without baggage of further accounting adjustments in the future.
For the forthcoming financial year, we are expecting maiden income contribution from our newly-acquired hotel management entity, Intra Magnum. Intra Magnum will set forth a new era for Bio Osmo as we make our foray into the hospitality business. We anticipate a healthy and stable income stream from this venture, which will offset any potential weaknesses in the bottled drinking water division, which have yet to be mitigated.

I cannot conclude this letter without recording my sincere gratitude to a list of people who have tirelessly supported the Group and Company in one way or another. To our customers and business partners, thank you for your continued support and commitment. May we continue to foster a sustainable business relationship going forward. To the authorities and professional teams – investment banker, auditors, solicitors, valuer – thank you for your guidance and valuable advice.

Last but not least, to my colleagues and fellow board members, my heartfelt appreciation for your invaluable contributions. It has been a privilege working with you. Let us continue this remarkable journey as we march to yet another great year ahead.

SHAHRIZAL HISHAM BIN ABDUL HALIM
Executive Director

Statement on 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 2012 ("the Code") and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Board is pleased to provide the Corporate Governance Statement, 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.

<u>Board Charter, Code of Ethics & Conduct and Whistleblowing Policy & Procedure</u>

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 Code of Ethics & Conduct for Directors as well as Whistleblowing Policy & Procedure which are publicly available on the Company's corporate website.

<u>Sustainability</u>

The Board regularly 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.

Statement on Corporate Governance

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 at least seven days ahead of meeting dates or a shorter time period if unavoidable, 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 book keeping of the Company, the Company Secretary is also responsible to advise the Board from time to time on issues pertaining to compliance with Bursa Malaysia 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 dealing in Securities and restrictions on disclosure of price-sensitive information.

The Company Secretary attends all Board and Committee Meetings, and to 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. All appointments and resignation of Directors are also conformed to the relevant legislations.

PRINCIPLE 2 – STRENGTHENING THE BOARD'S COMPOSITION

As of the date this Statement, the Board consists of four (4) members, comprising one (1) Executive Director and three (3) Independent Non-Executive Directors. This composition fulfils the Listing Requirements of Bursa Malaysia, 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.

Statement on Corporate Governance

Nomination Committee

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 the three members, all of whom are independent non-executive directors:

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

Note:

(a) *Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif was appointed as Chairman of the Nomination Committee w.e.f. 26 February 2016.*

(b) *Mr Wong Kok Seong was re-designated from the Chairman to Member of the Nomination Committee w.e.f. 26 February 2016.*

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 details of the terms of reference of the Nomination Committee are available for reference at the Company's corporate website.

Annual Assessment

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 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.

Statement on Corporate Governance

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 Articles of Association 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 Articles of Association 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.

Directors over seventy (70) years of age are subject to re-appointment by shareholders on an annual basis in accordance with Section 129(6) of the Companies Act, 1965.

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.

Pursuant to the one-third rotation role, En Auzir bin Mohd Yaacob will retire and submit himself for re-election at the forthcoming Annual General Meeting.

Subsequent to the financial period ended 30 June 2016, the Nomination Committee carried out and reported to the Board the outcome of the following key activities:

(a) reviewed the revised Terms of Reference in line with the recent amendments to the Listing Requirements of Bursa Securities;

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

(c) 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;

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

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

(f) 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;

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

(h) 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 proposed and proposed 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 the following three members, all of whom are independent non-executive directors:

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

Note:

(a) *En Auzir bin Mohd Yaacob was re-designated from Member to Chairman of the Remuneration Committee w.e.f. 26 February 2016.*

(b) *Mr Wong Kok Seong was re-designated from Chairman to Member of the Remuneration Committee w.e.f. 26 February 2016.*

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 details of the terms of reference of the Remuneration Committee are available for reference at the Company's corporate website.

Statement on Corporate Governance

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.

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.

Having regard to the resources and time spent by the Directors in the Group's various corporate exercises such as Par Value Reduction, the subscription of new shares in Intra Magnum Sdn Bhd and diversification of business during the financial period under review, the Board agreed with the Remuneration Committee's recommendation that the current annual salary for the Executive Director be increased by 30% and the current annual fee for the Non-Executive Directors will increase by 33%. The aforesaid proposed directors' fees shall be subject to shareholders' approval at the forthcoming Annual General Meeting.

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 period ended 2016 are as follows:

Paid or payable to all Directors of the Company from the Company (based on 18-month cumulatively):

	Fees (RM)	**Allowance (RM)**	**Salaries (RM)**	**EPF & SOCSO (RM)**	**BIK [(a)] (RM)**	**Total (RM)**
Executive Director	-	36,000	180,000	22,547	-	238,547
Non-Executive Directors	162,000	-	-	-	-	162,000
Total	162,000	36,000	180,000	22,547	-	400,547

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

Number of Directors whose remuneration falls into the bands (based on 18-month cumulatively):

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

Statement on Corporate Governance

PRINCIPLE 3 – REINFORCING INDEPENDENCE

Currently, the Board comprised 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 upon the completion of the Share Subscription of Intra Magnum Sdn Bhd as well as the diversification into the hospitality business resulting in the requirement for a different skill set on the Board.

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 Malaysia 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 period ended 30 June 2016, 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 and En Auzir bin Mohd Yaacob, both have served as Independent Directors of the Company for more than nine (9) years since their initial appointments in 2007. The Nomination Committee has assessed their independence criteria and concluded that both Directors continue 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 and En Auzir bin Mohd Yaacob be retained to continue as Independent Directors of the Company subject to the shareholders' approval at the forthcoming Annual General Meeting.

Statement on Corporate Governance

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)*	10/10	-	-	-
Mr Wong Kok Seong *(Independent Non-Executive Director)*	10/10	7/7	1/1	1/1
En Auzir bin Mohd Yaacob *(Independent Non-Executive Director)*	10/10	7/7	1/1	1/1
Prof. Dr Mohd Amy Azhar bin Haji Mohd Harif *(Independent Non-Executive Director)*	10/10	7/7	N/A [(d)]	N/A [(d)]

Note:

(a) Audit Committee Meetings

(b) Nomination Committee Meetings

(c) Remuneration Committee Meetings

(d) Appointed w.e.f. 26 February 2016

Each member of the Board holds not more than five (5) directorships in public listed companies in accordance with Listing Requirements of Bursa Malaysia. 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 Malaysia.

Statement on Corporate Governance

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

Date	Training programmes
28 July 2015	Bursa Malaysia Board Chairman Series Part 2: Leadership Excellence from the Chair
31 July 2015	Roles & Responsibilities of Directors in Relation to financial statements
1 Dec 2015	Updates of the 2014 & 2015 IFRS: Compliant MFRSs, Preparing MFRS, Compliant Financial Statements in 2014, 2015 & thereafter
7 Dec 2015	Transition from PERS to MPERS & A brief on MFRS
6 Jan 2016	Transiting from PERS to MPERS
5 May 2016	Audit of Inventories
6 May 2016	CG breakfast Series with Directors: "The Strategy, the Leadership, the Stakeholders and the Board"
26 May 2016	An overview on the Amendments to the Main Market Listing Requirement

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 Malaysia and the financial statements for each financial year in accordance with applicable Financial Reporting Standards and requirements of the Companies Act, 1965 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 period ended 30 June 2016 by the Company's External Auditors, Messrs Baker Tilly Monteiro Heng are RM196,000 and RM12,000, respectively.

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, 1965, 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 period ended 30 June 2016 and until to-date, the Group has complied substantially with the Principles and Recommendations of the Code insofar as applicable and described herein.

Statement on Corporate Governance

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

There was no proceed raised by the Company from any corporate proposals during the financial period ended 30 June 2016.

Recurrent Related Party Transaction of a Revenue or Trading Nature

There were no recurrent related party transactions involved in the financial period ended 30 June 2016.

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 period but is anticipating to do so in the coming financial year.

This Statement has been reviewed and approved by the Board of Directors at the meeting held on 27 September 2016.

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
Member/Independent Non-Executive Director

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

TERMS OF REFERENCE

The details of 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 seven (7) meetings during the financial period ended 30 June 2016 and the attendance of each Audit Committee member are as follows:

Members	No. of meetings attended
Mr Wong Kok Seong	7/7
En Auzir bin Mohd Yaacob	7/7
Prof Dr Mohd Amy Azhar bin Haji Mohd Harif	7/7

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.

Audit Committee Report

SUMMARY OF ACTIVITIES

Below is a summary of activities carried out by the Audit Committee during financial period ended 30 June 2016 :

(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, management letter 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.

Audit Committee 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 period ended 30 June 2016 was approximately RM15,000 (2014: RM12,000).

Statement of Risk Management & 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, which outlines the nature and scope of the internal control of the Group during the financial period ended 30 June 2016.

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.

ASSURANCE FROM THE MANAGEMENT

The Board has also received reasonable assurance from the Executive Director and the Group Chief Operating Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material respects, based on the risk management model adopted by the Group.

Statement of Risk Management & Internal Control

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 periodically 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 2016, the key coverage is as below:

- Follow up of previous audit issues
- Governance
- Finance & Account
- Sales and Marketing
- IT Security Management

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 a regular 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 RM15,000.

Statement of Risk Management & Internal Control

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 Audit Committee oversees the development and annual review of the Group's risk management policy and plan, as well as the effectiveness of the risk management, organisation structure, responsibilities and accountabilities. The Committee also ensures that the risk management framework is implemented to increase the possibility of anticipating unpredictable risks.

The Executive Director and the Group Chief Operating Officer, who also acts in the capacity as Joint Head of Risk Management Unit, attended the Board Risk Management meeting as permanent invitees.

Risk management policies and practices form part of The Group's overall strategies to chart positive growth in today's rapidly evolving business environment. The Board continues to ensure that risk management is effectively institutionalised and its risk maturity level is elevated. It also strengthens its risk culture and practice, harmonise its risks and risk appetites at the operational level wherever possible.

CONCLUSION

On the whole, the Board is satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives is in place to provide reasonable assurance to that effect. It is the Group's positive attitude towards striving for better that drives its desire to ensure that the system of internal control will be enhanced on regular basis as the Group progresses to the next level. The Board and the Senior Management team will seek regular assurance on the effectiveness and soundness of the internal control system through appraisals by the internal auditors.

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, 1965 ("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 27 September 2016.

Financial Statement Contents

Directors' Report

The directors hereby present their report and the audited financial statements of the Group and of the Company for the financial period ended 30 June 2016.

CHANGE OF FINANCIAL YEAR END

The Group and the Company changed their financial year end from 31 December to 30 June to encapsulate the corporate exercise undertaken. Therefore the financial statements is made up of a period of 18 months from 1 January 2015 to 30 June 2016.

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 period.

RESULTS

	Group RM	Company RM
Loss net of tax	(7,185,014)	(27,839,077)
Loss attributable to:		
Owners of the Company	(6,799,188)	(27,839,077)
Non-controlling interest	(385,826)	-
	(7,185,014)	(27,839,077)

DIVIDEND

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

RESERVES AND PROVISIONS

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

Directors' Report

BAD AND DOUBTFUL DEBTS

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 ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision 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 as bad debts or the amount of provision 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 would 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 period which secures the liabilities of any other person; or

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial period.

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 period which, in the opinion of the directors, 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.

Directors' Report

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors:

(i) the results of the operations of the Group and of the Company for the financial period were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 5 to the financial statements; and

(ii) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report was made.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised share capital of the Company during the financial period.

The Company did not issue any debentures during the financial period.

DIRECTORS OF THE COMPANY

The directors in office since the date of the last report are:-

AUZIR BIN MOHD YAACOB
WONG KOK SEONG
PROF. DR. MOHD AMY AZHAR BIN HAJI MOHD HARIF
SHAHRIZAL HISHAM BIN DATO' SETIA ABDUL HALIM

DIRECTORS' INTERESTS

The interests of the directors in office as at the end of the financial period in the shares of the Company during the financial period are as follows:

	Number of Ordinary Shares of RM0.05 Each			
	At 1.1.2015	**Bought**	**Sold**	**At 30.6.2016**
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 (1)	-	10,000,000	-	10,000,000

(1) Deemed interested under Section 6A of the Companies Act, 1965 in Malaysia, by virtue of his direct interests in Al Maurid Resources Sdn. Bhd.

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

Directors' Report

DIRECTORS' BENEFITS

Since the end of the previous financial year, 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 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 nor at the end of the financial period, was the Company a party to any arrangement whose 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.

SIGNIFICANT EVENTS

Details of significant events during the financial period and significant event subsequent to the end of the financial period are disclosed in Notes 30 and 31 to the financial statements respectively.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 October 2016.

SHAHRIZAL HISHAM BIN DATO' SETIA
ABDUL HALIM

WONG KOK SEONG

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

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 34 to 85, are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance, and cash flows for the financial period then ended.

The supplementary information set out on page 86 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 25 October 2016

SHAHRIZAL HISHAM BIN DATO' SETIA
ABDUL HALIM

WONG KOK SEONG

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

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 34 to 85 and the supplementary information set out on page 86 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.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory

on 25 October 2016

CHANG HOW WENG

Before me

ZULKIFLA MOHD DAHLIM (W 541)

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the financial statements of Bio Osmo Berhad, which comprise the statements of financial position as at 30 June 2016 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 period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 85.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to 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, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the financial period then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries have been properly kept in accordance with the requirements of the Companies Act, 1965 in Malaysia.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 86 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 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 ("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 174 of the Companies Act, 1965 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. 2966/11/18(J)
Chartered Accountant

Kuala Lumpur
Date: 25 October 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	Period from 1.1.2015 to 30.6.2016 RM	Year ended 31.12.2014 RM
Revenue	4	10,632,193	5,073,920
Cost of sales		(13,371,805)	(9,152,135)
Gross loss		(2,739,612)	(4,078,215)
Other income		3,242,926	142,073
Selling and distribution costs		(1,116,393)	(485,490)
Administrative costs		(4,127,333)	(4,171,638)
Other costs		(2,358,925)	(11,934,789)
		(7,602,651)	(16,591,917)
Loss from operations		(7,099,337)	(20,528,059)
Finance costs		-	-
Loss before tax	5	(7,099,337)	(20,528,059)
Income tax expense	7	(85,677)	-
Loss net of tax, representing total comprehensive loss for the financial period/year		(7,185,014)	(20,528,059)
Total comprehensive loss attributable to:			
Owners of the Company		(6,799,188)	(20,126,602)
Non-controlling interests		(385,826)	(401,457)
		(7,185,014)	(20,528,059)
Loss per share attributable to owners of the Company (sen per share)			
Basic	8	(1.36)	(4.29)
Diluted	8	(1.36)	(4.29)

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2016

	Note	As at 30.6.2016 RM	As at 31.12.2014 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	13,346,624	28,540,005
Deferred tax assets	11	-	-
		13,346,624	28,540,005
Current assets			
Inventories	12	410,588	799,437
Trade receivables	13	847,881	3,266,713
Other receivables, deposits and prepayments	14	959,808	1,309,694
Tax recoverable		55,264	55,264
Deposits with a licensed bank	16	305,700	356,791
Cash and bank balances		624,619	1,260,482
		3,203,860	7,048,381
Non-current assets classified as held for sale	23	11,540,000	1,491,332
		14,743,860	8,539,713
TOTAL ASSETS		28,090,484	37,079,718
EQUITY AND LIABILITIES			
Equity			
Share capital	17	24,933,000	99,732,000
Share premium	18	288,339	288,339
Irredeemable convertible preference shares ("ICPS") - equity component	19	-	-
Warrants reserve	20	2,092,500	2,092,500
Accumulated losses		(3,023,278)	(71,023,090)
Equity attributable to owners of the Company		24,290,561	31,089,749
Non-controlling interest		(1,102,831)	(717,005)
Total equity		23,187,730	30,372,744
Liabilities			
Non-current liability			
ICPS - liability component	19	-	-
Current liabilities			
Trade payables	21	508,998	2,975,702
Other payables and accruals	22	4,393,756	3,731,272
		4,902,754	6,706,974
Total liabilities		4,902,754	6,706,974
TOTAL EQUITY AND LIABILITIES		28,090,484	37,079,718

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 PERIOD ENDED 30 JUNE 2016

		Attributable to Owners of the Company							
			Non-distributable						
Group	Note	Share Capital RM	Share Premium RM	Irredeemable Convertible Preference Shares-Equity Component RM	Warrants Reserve RM	Accumulated Losses RM	Equity Attributable to Owners of the Company RM	Non-controlling Interest RM	Total Equity RM
Balance as at 1.1.2014		71,072,000	2,853,305	19,613,436	2,092,500	(50,896,488)	44,734,753	(315,548)	44,419,205
Loss net of tax, representing total comprehensive loss for the financial year		-	-	-	-	(20,126,602)	(20,126,602)	(401,457)	(20,528,059)
Transactions with owners									
Issuance of ordinary shares	17	8,660,000	-	-	-	-	8,660,000	-	8,660,000
Share issuance expenses	18	-	(2,564,966)	-	-	-	(2,564,966)	-	(2,564,966)
Issuance of shares pursuant to the conversion of ICPS	19	20,000,000	-	(19,613,436)	-	-	386,564	-	386,564
Total transactions with owners		28,660,000	(2,564,966)	(19,613,436)	-	-	6,481,598	-	6,481,598
Balance at 31.12.2014		99,732,000	288,339	-	2,092,500	(71,023,090)	31,089,749	(717,005)	30,372,744

		Attributable to Owners of the Company						
			Non-distributable					
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
Balance as of 1.1.2015		99,732,000	288,339	2,092,500	(71,023,090)	31,089,749	(717,005)	30,372,744
Loss net of tax, representing total comprehensive loss for the financial period		-	-	-	(6,799,188)	(6,799,188)	(385,826)	(7,185,014)
Transaction with owners								
Par value reduction	17	(74,799,000)	-	-	74,799,000	-	-	-
Balance at 30.6.2016		24,933,000	288,339	2,092,500	(3,023,278)	24,290,561	(1,102,831)	23,187,730

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	Period from 1.1.2015 to 30.6.2016 RM	Year ended 31.12.2014 RM
Cash Flows from Operating Activities			
Loss before tax		(7,099,337)	(20,528,059)
Adjustments for:			
Bad debts written off		18,789	51,236
Deposits written off		585,287	-
Depreciation of property, plant and equipment		3,450,132	3,425,328
Impairment loss on property, plant and equipment		1,322,600	9,868,505
Impairment loss on trade receivables		353,842	1,936,213
Property, plant and equipment written off		-	5,980
Sinking fund written off		62,516	-
Unrealised gain on foreign exchange		(126,866)	(46,489)
(Gain)/Loss on disposal of property, plant and equipment		(1,515,494)	214
Interest income		(11,425)	(15,859)
Reversal of impairment loss on property, plant and equipment		(844,261)	-
Reversal of impairment loss on trade receivables		(532,078)	(25,273)
Operating loss before working capital changes		(4,336,295)	(5,328,204)
Changes in working capital:			
Changes in inventories		388,849	350,058
Changes in receivables		(285,850)	(4,126,613)
Changes in payables		(843,009)	1,353,134
Cash used in operations		(5,076,305)	(7,751,625)
Real property gains tax paid		(85,677)	-
Interest received		-	4,434
Net cash used in operating activities, balance carried down		(5,161,982)	(7,747,191)

Consolidated Statement of Cash Flows (con't)

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	Period from 1.1.2015 to 30.6.2016 RM	Year ended 31.12.2014 RM
Balance brought down		(5,161,982)	(7,747,191)
Cash Flows from Investing Activities			
Deposit received		2,830,189	300,000
Purchase of property, plant and equipment	9	(280,509)	(230,611)
Proceeds from disposal of property, plant and equipment		3,012,245	400
Net cash from investing activities		5,561,925	69,789
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares	17	-	8,660,000
(Repayment to)/Advances from a shareholder of a subsidiary		(980,000)	566,249
Share issuance expenses paid		-	(2,564,966)
Net cash (used in)/from financing activities		(980,000)	6,661,283
Net changes in cash and cash equivalents		(580,057)	(1,016,119)
Effect of exchange rate changes on cash and cash equivalents		(55,806)	-
Cash and cash equivalents at beginning of the financial period/year		1,260,482	2,276,601
Cash and cash equivalents at end of the financial period/year		624,619	1,260,482
Cash and cash equivalents at end of the financial period/year comprises:			
Cash and bank balances		624,619	1,260,482
Deposits with a licensed bank		305,700	356,791
		930,319	1,617,273
Less: Deposits with a licensed bank pledged		(305,700)	(356,791)
		624,619	1,260,482

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

Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	Period from 1.1.2015 to 30.6.2016 RM	Year ended 31.12.2014 RM
Other income		-	4,434
Selling and distribution costs		(89,772)	(135,868)
Administrative costs		(2,842,395)	(3,375,080)
Other costs		(24,906,910)	(15,197,114)
		(27,839,077)	(18,708,062)
Loss before tax	5	(27,839,077)	(18,703,628)
Income tax expense	7	-	-
Loss net of tax, representing total comprehensive loss for the financial period/year		(27,839,077)	(18,703,628)

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

Statement of Financial Position

AS AT 30 JUNE 2016

	Note	As at 30.6.2016 RM	As at 31.12.2014 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	71,963	6,208
Investments in subsidiaries	10	-	26,379,000
Deferred tax assets	11	-	-
		71,963	26,385,208
Current assets			
Other receivables, deposits and prepayments	14	342,263	870,251
Amounts due from subsidiaries	15	-	8,619
Cash and bank balances		209,490	1,130,728
		551,753	2,009,598
TOTAL ASSETS		623,716	28,394,806
EQUITY AND LIABILITIES			
Equity			
Share capital	17	24,933,000	99,732,000
Share premium	18	288,339	288,339
ICPS - equity component	19	-	-
Warrants reserve	20	2,092,500	2,092,500
Accumulated losses		(26,824,904)	(73,784,827)
Total equity		488,935	28,328,012
Liabilities			
Non-current liability			
ICPS - liability component	19	-	-
Current liability			
Other payables and accruals	22	134,781	66,794
Total liabilities		134,781	66,794
TOTAL EQUITY AND LIABILITIES		623,716	28,394,806

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 PERIOD ENDED 30 JUNE 2016

Company	Note	Share Capital RM	← Non-distributable → Share Premium RM	Irredeemable Convertible Preference Shares-Equity Component RM	Warrants Reserve RM	Accumulated Losses RM	Total Equity RM
Balance at 1.1.2014		71,072,000	2,853,305	19,613,436	2,092,500	(55,081,199)	40,550,042
Loss net of tax, representing total comprehensive loss for the financial year		-	-	-	-	(18,703,628)	(18,703,628)
Transactions with owners							
Issuance of ordinary shares	17	8,660,000	-	-	-	-	8,660,000
Share issuance expenses	18	-	(2,564,966)	-	-	-	(2,564,966)
Issuance of shares pursuant to the conversion of ICPS	19	20,000,000	-	(19,613,436)	-	-	386,564
Total transactions with owner		28,660,000	(2,564,966)	(19,613,436)	-	-	6,481,598
Balance at 31.12.2014		99,732,000	288,339	-	2,092,500	(73,784,827)	28,328,012

Company	Note	Share Capital RM	← Non-distributable → Share Premium RM	Warrants Reserve RM	Accumulated Losses RM	Total Equity RM
Balance as at 1.1.2015		99,732,000	288,339	2,092,500	(73,784,827)	28,328,012
Loss net of tax, representing total comprehensive loss for the financial period		-	-	-	(27,839,077)	(27,839,077)
Transaction with owners						
Par value reduction	17	(74,799,000)	-	-	74,799,000	-
Balance at 30.6.2016		24,933,000	288,339	2,092,500	(26,824,904)	488,935

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

Statement of Cash Flows

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	Period from 1.1.2015 to 30.6.2016 RM	Year ended 31.12.2014 RM
Cash Flows from Operating Activities			
Loss before tax		(27,839,077)	(18,703,628)
Adjustments for:			
Depreciation of property, plant and equipment		5,827	1,551
Deposits written off		557,500	-
Impairment loss on investment in subsidiaries		23,900,506	15,196,014
Impairment loss on amounts due from subsidiaries		447,666	-
Interest income		-	(4,434)
Operating loss before working capital changes		(2,927,578)	(3,510,497)
Changes in working capital:			
Changes in receivables		(29,512)	(853,557)
Changes in payables		67,987	(302,188)
Cash used in operations		(2,889,103)	(4,666,242)
Interest received		-	4,434
Net cash used in operating activities		(2,889,103)	(4,661,808)
Cash Flows from Investing Activities			
Repayment from/(Advances to) subsidiaries		2,039,447	(303,634)
Acquisition of a subsidiary		-	(2)
Purchase of plant and equipment	9	(71,582)	-
Net cash from/(used in) investing activities		1,967,865	(303,636)
Cash Flows from Financing Activities			
Proceeds from issuance of shares		-	8,660,000
Share issuance expenses paid		-	(2,564,966)
Net cash from financing activities		-	6,095,034
Net changes in cash and cash equivalents		(921,238)	1,129,590
Cash and cash equivalents at beginning of the financial period/year		1,130,728	1,138
Cash and cash equivalents at end of the financial period/year		209,490	1,130,728

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

Notes to the Financial Statements

– 30 JUNE 2016

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 period.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 25 October 2016.

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, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 3.

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(d).

2. BASIS OF PREPARATION (cont'd)

(b) New MFRSs and Amendments/Improvements to MFRSs

(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 period:-

Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysia Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combination
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

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 and Amendments/Improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements 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
Amendments/Improvements to MFRSs		
MFRS 5	Non-current Assets Held for Sale and	1 January 2016
MFRS 7	Discontinued Operations	1 January 2016
MFRS 10	Financial Instruments: Disclosures	Deferred/
MFRS 11	Consolidated Financial Statements	1 January 2016
MFRS 12	Joint Arrangements	1 January 2016
MFRS 101	Disclosure of Interests in Other Entities	1 January 2016
MFRS 107	Presentation of Financial Statements	1 January 2016
MFRS 112	Statement of Cash Flows	1 January 2017
	Income Taxes	1 January 2017

2. **BASIS OF PREPARATION** (cont'd)

(b) **New MFRSs and Amendments/Improvements to MFRSs** (cont'd)

(ii) **New MFRSs and Amendments/Improvements to MFRSs that have been issued, but yet to be effective** (cont'd)

The Group and the Company have not adopted the following new MFRSs and amendments/ improvements to MFRSs that have been issued by the Malaysian Accounting Standard Board ("MASB") as at the date of authorisation of these financial statements but yet to be effective: (cont'd)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (cont'd)		
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investment in Associates and Joint Ventures	Deferred/ 1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

A brief discussion on the above significant new MFRSs and amendments/improvements to MFRSs are summarised below. Due to the complexity of these new MFRSs and amendments/improvements to MFRSs, 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.

2. **BASIS OF PREPARATION** (cont'd)

(b) **New MFRSs and Amendments/Improvements to MFRSs** (cont'd)

(ii) **New MFRSs and Amendments/Improvements to MFRSs that have been issued, but yet to be effective** (cont'd)

MFRS 9 Financial Instruments (cont'd)

Key requirements of MFRS 9:- (cont'd)

- 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.

- 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.

2. **BASIS OF PREPARATION** (cont'd)

(b) **New MFRSs and Amendments/Improvements to MFRSs** (cont'd)

(ii) **New MFRSs and Amendments/Improvements to MFRSs that have been issued, but yet to be effective** (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

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

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 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to MFRS 5 introduce specific guidance on when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or *vice versa*), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

2. BASIS OF PREPARATION (cont'd)

(b) New MFRSs and Amendments/Improvements to MFRSs (cont'd)

(ii) New MFRSs and Amendments/Improvements to MFRSs that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

2. BASIS OF PREPARATION (cont'd)

(b) New MFRSs and Amendments/Improvements to MFRSs (cont'd)

(ii) New MFRSs and Amendments/Improvements to MFRSs that have been issued, but yet to be effective (cont'd)

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.

(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) 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) Depreciation of property, plant and equipment (Note 9) – The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 50 years. These are common life expectation applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The Group and Company anticipate that the residual value of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

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: (cont'd)

(ii) Impairment loss on receivables (Notes 13, 14 and 15) – The Group and the Company assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, 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. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

(iii) Income tax expense (Note 7) – Significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which ultimate tax determination of whether additional taxes will be due is uncertain. The Group and the Company recognises liabilities for tax based on estimate of assessment of the tax liability due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the periods in which the outcome is known.

(iv) Impairment of investments in subsidiaries (Note 10) – The Company carries out the impairment test based on a variety of estimation including the value-in-use of the cash generating unit. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flow. Changes in assumptions could significantly affect the result of the Company's tests for impairment of investment in subsidiaries.

(v) 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.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of Consolidation (cont'd)

(i) Subsidiaries and Business Combination (cont'd)

The accounting policy for goodwill is set out in Note 3(j).

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.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(a) **Basis of Consolidation** (cont'd)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign Currency (cont'd)

(i) Foreign Currency Transactions (cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(g) Income Tax Expense

Income 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 period, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for the prior financial 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Income Tax Expense (cont'd)

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 acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination.

(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. No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to the respective classes of property, plant and equipment.

Depreciation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

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) Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Financial Assets (cont'd)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of Financial Assets (cont'd)

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

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.

(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.

(ii) Preferences Shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividend payments are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Notes to the Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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) Irredeemable convertible preference shares ("ICPS")

The ICPS are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. The difference between the proceeds of issue of the ICPS and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or cancellation, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity components based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense (dividend) on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible instrument at the date of issue. The difference between this amount and the interest paid is added to the carrying amount of the ICPS.

The value of the conversion option is not adjusted in subsequent periods, except in times of ICPS conversion into ordinary shares. Upon conversion of the instrument into ordinary shares, the amount credited to share capital is the aggregate of the amounts classified within liability and equity at the time of conversion. No gain or loss is recognised in profit or loss.

(r) 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.

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.

(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) 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.

(u) Financial Liabilities

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Financial Liabilities (cont'd)

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.

(v) 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.

(w) 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

This represents the invoiced value of goods sold net of returns and discounts.

5. LOSS BEFORE TAX

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

	Group		Company	
	Period from 1.1.2015 to 30.6.2016	**Year ended 31.12.2014**	**Period from 1.1.2015 to 30.6.2016**	**Year ended 31.12.2014**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- Statutory audit:				
- current financial period/year	196,000	117,000	92,800	50,400
- under provision in prior financial period/year	5,500	7,000	7,600	7,000
- Other services	12,000	154,000	12,000	154,000
Bad debts written off	18,789	51,236	-	-
Corporate exercise expenses	1,548,219	1,632,114	1,548,219	1,632,114
Deposits written off	585,287	-	557,500	-
Depreciation of property, plant and equipment	3,450,132	3,425,328	5,827	1,551
Directors' fee	162,000	102,000	162,000	102,000
Employee benefits expense (including key management personnel):				
- Contribution to defined contribution plan	213,917	128,428	76,402	48,415
- Salaries, bonus and others	2,333,479	1,822,997	652,268	817,514
Impairment loss on amounts due from subsidiaries	-	-	447,666	-
Impairment loss on investment in subsidiaries	-	-	23,900,506	15,196,014
Impairment of property, plant and equipment	1,322,600	9,868,505	-	-
Impairment loss on trade receivables	353,842	1,936,213	-	-
Property, plant and equipment written off	-	5,980	-	-
Rental of factory	454,900	252,600	-	-
Rental of hostel	59,700	16,200	-	-
Rental of office	63,300	36,300	63,300	36,300
Sinking fund written off	62,516	-	-	-
(Gain)/Loss on foreign currency exchange				
- realised	(102,482)	10,406	-	-
- unrealised	(126,866)	(46,489)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(1,515,494)	214	-	-
Interest income	(11,425)	(15,859)	-	(4,434)
Interest waiver by a financial institution	-	(5,784)	-	-
Late payment interest income	(71,039)	-	-	-
Reversal of impairment loss on property, plant and equipment	(844,261)	-	-	-
Reversal of impairment loss on trade receivables	(532,078)	(25,273)	-	-

6. DIRECTORS' REMUNERATION

	Group/Company	
	Period from 1.1.2015 to 30.6.2016	Year ended 31.12.2014
	RM	RM
Fees	162,000	102,000
Other emoluments	216,953	517,132
Contribution to defined contribution plan	21,600	12,000
Total directors' remuneration	400,553	631,132

7. INCOME TAX EXPENSE

	Group		Company	
	Period from 1.1.2015 to 30.6.2016	Year ended 31.12.2014	Period from 1.1.2015 to 30.6.2016	Year ended 31.12.2014
	RM	RM	RM	RM
Real property gains tax	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	
	Period from 1.1.2015 to 30.6.2016	Year ended 31.12.2014	Period from 1.1.2015 to 30.6.2016	Year ended 31.12.2014
	RM	RM	RM	RM
Loss before tax	(7,099,337)	(20,528,059)	(27,839,077)	(18,703,628)
Tax at the Malaysian statutory income tax rate of 24% (2014: 25%)	(1,703,841)	(5,132,015)	(6,681,378)	(4,675,907)
Tax effect on non-deductible expenses	945,267	650,205	6,681,378	4,675,907
Deferred tax asset not recognised during the financial period/year	871,274	4,302,538	-	-
Effect of income tax at Real Property Gains Tax rate	(27,023)	-	-	-
Effect of changes in income tax rate	-	179,272	-	-
Income tax expense	85,677	-	-	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2014: 25%) of the estimated assessable profit for the financial period/year.

The Group has estimated tax loss carry-forwards of RM24,415,513 (2014: RM24,637,063) capital allowances carry-forward of RM21,396,826 (2014: RM19,922,263) and reinvestment allowances carry-forward of RM27,923,487 (2014: RM27,923,487), available for set-off against future taxable profit.

8. LOSS PER SHARE

Basic

The basic loss per share of the Group is calculated by dividing the Group's loss for the financial period/year attributable to ordinary equity holders of the Company of RM6,799,188 (2014: RM20,126,602) by the weighted average number of ordinary share in issue during the financial period/year of 498,660,000 (2014: 469,097,260) ordinary shares of RM0.05 (2014: RM0.20) each.

Diluted

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

Group	Freehold land RM	Factory buildings RM	Plant and machineries RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Cost						
At 1 January 2014	4,465,799	13,090,568	55,505,460	1,711,409	558,136	75,331,372
Additions	-	-	150,363	80,248	-	230,611
Disposals	-	-	-	(1,100)	-	(1,100)
Transfer to non-current assets classified as held for sale (Note 23)	(702,000)	(1,158,455)	-	-	-	(1,860,455)
Written off	-	-	(23,000)	(23,000)	-	(46,000)
Reclassified	-	-	(86,691)	86,691	-	-
At 31 December 2014	3,763,799	11,932,113	55,546,132	1,854,248	558,136	73,654,428
Accumulated Depreciation and Impairment Losses						
At 1 January 2014						
Accumulated depreciation	-	2,877,831	27,595,115	1,216,371	540,902	32,230,219
Charge for the financial year	-	385,097	2,898,807	133,024	8,400	3,425,328
Impairment loss for the financial year	-	1,802,107	8,028,181	38,217	-	9,868,505
Disposals	-	-	-	(486)	-	(486)
Transfer to non-current assets classified as held for sale (Note 23)	-	(369,123)	-	-	-	(369,123)
Written off	-	-	(17,020)	(23,000)	-	(40,020)
Reclassified	-	-	(5,153)	5,153	-	-
At 31 December 2014	-	4,695,912	38,499,930	1,369,279	549,302	45,114,423
Analysed as:						
- Accumulated depreciation	-	2,893,805	30,471,749	1,331,062	549,302	35,245,918
- Accumulated impairment loss	-	1,802,107	8,028,181	38,217	-	9,868,505
Net Carrying Amount						
At 31 December 2014	3,763,799	7,236,201	17,046,202	484,969	8,834	28,540,005

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9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM	Factory buildings RM	Plant and machineries RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
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
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

(a) Impairment loss

During the financial year, an impairment loss of 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 a loss of RM7,185,104 (2014: RM20,528,059). The recoverable amount of RM10,248,100 as at 30 June 2016 was based on cost method by reference to independent valuation carried out by professional valuer.

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Furniture and fittings RM	Renovation RM	Office equipment RM	Total RM
Cost				
At 1 January 2014/31 December 2014/1 January 2015	-	-	13,149	13,149
Additions	21,919	22,353	27,310	71,582
At 30 June 2016	21,919	22,353	40,459	84,731
Accumulated Depreciation				
At 1 January 2014	-	-	5,390	5,390
Charge for the financial year	-	-	1,551	1,551
At 31 December 2014/At 1 January 2015	-	-	6,941	6,941
Charge for the financial period	591	1,863	3,373	5,827
At 30 June 2016	591	1,863	10,314	12,768
Net Carrying Amount				
At 31 December 2014	-	-	6,208	6,208
At 30 June 2016	21,328	20,490	30,145	71,963

10. INVESTMENTS IN SUBSIDIARIES

	Company As at 30.6.2016 RM	Company As at 31.12.2014 RM
Unquoted shares, at cost:		
At the beginning of the financial period/year	32,698,203	32,698,201
Addition	-	2
	32,698,203	32,698,203
Quasi loan	51,591,471	54,069,965
	84,289,674	86,768,168
Less: Allowance for impairment losses	(84,289,674)	(60,389,168)
At the end of the financial period/year	-	26,379,000

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.

During the financial period/year, an impairment loss on investment in a subsidiary amounting to RM23,900,506 (31 December 2014: RM15,196,014) has been recognised to write down the carrying value to its expected recoverable amount.

10. INVESTMENTS IN SUBSIDIARIES (cont'd)

Movement in allowance for impairment losses in respect of amounts owing by subsidiaries are as follows:

	Company	
	As at 30.6.2016 RM	**As at 31.12.2014 RM**
At beginning of the financial period/year	60,389,168	45,193,154
Additions	23,900,506	15,196,014
At end of the financial period/year	84,289,674	60,389,168

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 30.6.2016	As at 31.12.2014
Held By The Company				
Amshore Holdings Sdn. Bhd.	Processing, manufacturing and selling of drinking 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%
Held through Amshore Holdings Sdn. Bhd.				
Amshore KL Sdn. Bhd.	Processing, manufacturing and selling bottled drinking water	Malaysia	66%	66%

The Group's subsidiary which has non-controlling interest is not materially to the financial position, financial performance and cash flows of the Group and therefore it is not presented in the financial statements.

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

11. DEFERRED TAX ASSETS

	Group/Company	
	As at 30.6.2016 RM	As at 31.12.2014 RM
At the beginning of the financial period/year	-	128,855
Recognised in equity	-	(128,855)
At the end of the financial period/year	-	-

Deferred tax liabilities and assets prior to offsetting are as follows:

	Group/Company	
	As at 30.6.2016 RM	As at 31.12.2014 RM
Deferred tax liabilities		
Temporary differences between carrying amounts of property, plant and equipment and their tax bases	-	(2,635,561)
Deferred tax assets		
Unutilised capital allowance	-	2,635,561
	-	-

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

	Group	
	As at 30.6.2016 RM	As at 31.12.2014 RM
Deductible temporary difference in respect of expenses	2,363,751	2,121,588
Unused tax losses	24,415,513	24,637,063
Unutilised capital allowance	9,581,057	5,971,362
Unutilised reinvestment allowance	27,923,487	27,923,487
	64,283,808	60,653,500
@ 24%	15,428,114	14,556,840

12. INVENTORIES

	Group	
	As at 30.6.2016 RM	As at 31.12.2014 RM
At cost,		
Raw materials	186,040	323,552
Work-in-progress	56,918	110,828
Finished goods	167,630	365,057
	410,588	799,437

During the financial period/year, the cost of inventories recognised as an expense in cost of sales of the Group is RM13,371,805 (31 December 2014: RM9,152,135).

13. TRADE RECEIVABLES

	Group	
	As at 30.6.2016 RM	As at 31.12.2014 RM
Trade receivables	2,807,130	5,404,198
Less: Allowance for impairment	(1,959,249)	(2,137,485)
Trade receivables, net	847,881	3,266,713

(a) Credit terms of trade receivables

The Group's normal credit term ranges from 30 to 120 days (31 December 2014: 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	
	As at 30.6.2016 RM	As at 31.12.2014 RM
Neither past due nor impaired	814,201	1,310,335
1 to 90 days past due but not impaired	33,680	1,935,062
91 to 180 days past due but not impaired	-	21,316
	33,680	1,956,378
Impaired	1,959,249	2,137,485
	2,807,130	5,404,198

13. **TRADE RECEIVABLES** (cont'd)

(b) **Ageing analysis of trade receivables** (cont'd)

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. These debtors are mostly long term customers with no history of default in payments.

Receivables that are past due but not impaired

The Group's trade receivables amounting to RM33,680 (31 December 2014: RM1,956,378) 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.

Receivables that are impaired

Movement in allowance accounts:-

	Group	
	As at 30.6.2016 RM	**As at 31.12.2014 RM**
At the beginning of the financial period/year	2,137,485	1,290,304
Charge for the financial period/year (Note 5)	353,842	1,936,213
Reversal (Note 5)	(532,078)	(25,273)
Written off	-	(1,063,759)
At the end of the financial period/year	1,959,249	2,137,485

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.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	As at	**As at**	**As at**	**As at**
	30.6.2016	**31.12.2014**	**30.6.2016**	**31.12.2014**
	RM	**RM**	**RM**	**RM**
Other receivables	301,253	955,316	300,000	859,820
GST refundable	17,544	-	-	-
Deposits	213,778	172,405	24,831	10,431
Prepayments	427,233	181,973	17,432	-
	959,808	1,309,694	342,263	870,251

In the previous financial year, included in the other receivables of the Group is an amount of RM857,500 being deposit paid for the acquisition of 980,000 ordinary shares of RM1 each in Bayam Enterprise Sdn. Bhd.

15. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	As at	**As at**
	30.6.2016	**31.12.2014**
	RM	**RM**
Amounts due from subsidiaries	3,410,306	2,971,259
Less: Allowance for impairment loss	(3,410,306)	(2,962,640)
	-	8,619

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

Movement in allowance accounts:-

	Company	
	As at	**As at**
	30.6.2016	**31.12.2014**
	RM	**RM**
At the beginning of the financial period/year	2,962,640	2,962,640
Charge for the financial period/year (Note 5)	447,666	-
At the end of the financial period/year	3,410,306	2,962,640

16. DEPOSITS WITH A LICENSED BANK

The deposits are pledged to licensed banks as security for bank guarantees. The interest rates and maturities of deposits are at 2.5% (31 December 2014: 1.0% - 2.5%) per annum and 365 days (31 December 2014: 365 days) respectively.

17. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	As at 30.6.2016 Unit	As at 31.12.2014 Unit	As at 30.6.2016 RM	As at 31.12.2014 RM
Ordinary shares of RM0.05 each (31 December 2014: RM0.20 each)				
Authorised share capital:-				
Beginning of financial period/year	1,150,000,000	1,150,000,000	230,000,000	230,000,000
Par value reduction of RM0.15	-	-	(172,500,000)	-
End of financial period/year	1,150,000,000	1,150,000,000	57,500,000	230,000,000
Issued and fully paid:-				
Beginning of financial period/year	498,660,000	355,360,000	99,732,000	71,072,000
Par value reduction	-	-	(74,799,000)	-
Issued during the financial period/year				
- private placement	-	43,300,000	-	8,660,000
- conversion of ICPS	-	100,000,000	-	20,000,000
End of financial period/year	498,660,000	498,660,000	24,933,000	99,732,000

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.

The following issue of shares was made by the Company:

(i) Ordinary shares issued pursuant to private placement

In the previous financial year, 43,300,000 new ordinary shares of RM0.20 each for cash at an issue price of RM0.20 per ordinary share through private placement to identified investors.

(ii) Ordinary shares issued pursuant to conversion of ICPS

In the previous financial year, 100,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.20 each were converted into 100,000,000 ordinary shares of RM0.20 each.

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

17. SHARE CAPITAL (cont'd)

Par value reduction

During the financial period, the authorised and issued and paid-up share capital of RM0.20 each has been reduced to RM0.05 each. Consequently, the authorised share capital and issued and paid-up share capital have been reduced to RM57,500,000 comprising 1,150,000,000 ordinary shares of RM0.05 each and RM24,933,000 comprising 498,660,000 ordinary shares of RM0.05 each respectively.

18. SHARE PREMIUM

This reserve comprises premium paid on subscription of shares of the Company above par value of the shares.

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

Movement in share premium account:-

	Group/Company	
	As at 30.6.2016 RM	As at 31.12.2014 RM
At the beginning of the financial period/year	288,339	2,853,305
Share issuance expenses	-	(2,564,966)
At the end of the financial period/year	288,339	288,339

19. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

	Group/Company			
	Number of shares		Amount	
ICPS at RM0.20 each	As at 30.6.2016 Unit	As at 31.12.2014 Unit	As at 30.6.2016 RM	As at 31.12.2014 RM
Authorised share capital:-				
Beginning of financial period/year	-	100,000,000	-	20,000,000
Conversion into ordinary shares	-	(100,000,000)	-	(20,000,000)
End of financial period/year	-	-	-	-
Issued and fully paid:-				
Beginning of financial period/year	-	100,000,000	-	20,000,000
Conversion into ordinary shares	-	(100,000,000)	-	(20,000,000)
End of financial period/year	-	-	-	-

19. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (cont'd)

On 2 December 2013, the Company issued 100,000,000 three (3)-year 1% ICPS with 25,000,000 detachable warrants at a nominal value of RM0.20 per ICPS to the unsecured lender pursuant to the completion of the settlement agreement.

The above ICPS were converted into ordinary shares of RM0.20 each on 15 January 2014.

The salient terms of the ICPS are as follows:

(i) the ICPS are transferable upon issuance;

(ii) the holder of the ICPS are entitled to cumulative dividend at the rate of one percent (1%) per annum on the capital paid-up or credited as paid-up on the ICPS;

(iii) the ICPS are convertible at any time on or after its issuance date into new ordinary shares of the Company at the conversion price, which is fixed at RM 0.20;

(iv) any remaining ICPS not converted at the end of the Conversion Period shall be mandatorily converted into new ordinary shares at the Conversion Price on the maturity date; and

(v) the new ordinary shares issued from the conversion of ICPS will be deemed fully paid-up and rank *pari passu* in all respects with all existing ordinary shares of the Company.

The ICPS have been split between the liability component and the equity component as follows:

	Group/ Company	
	As at 30.6.2016 RM	**As at 31.12.2014 RM**
Liability component of ICPS		
At the beginning of the financial period/year	-	515,419
Conversion into ordinary shares	-	(515,419)
At end of the financial period/year	-	-
Equity component of ICPS		
At the beginning of the financial period/year	-	19,613,436
Conversion into ordinary shares	-	(19,613,436)
At end of the financial period/year	-	-
	-	-

20. 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

(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 period/year are follows:-

	Group/ Company	
	As at 30.6.2016 RM	**As at 31.12.2014 RM**
Unexercised warrants	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.

21. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 120 days (31 December 2014: 30 to 120 days).

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	As at 30.6.2016 RM	As at 31.12.2014 RM	As at 30.6.2016 RM	As at 31.12.2014 RM
Other payables	1,020,334	3,124,486	34,029	42,314
GST payable	160,043	-	-	-
Deposit received	2,830,189	300,000	-	-
Accruals	383,190	306,786	100,752	24,480
	4,393,756	3,731,272	134,781	66,794

Other payables of the Group included loans from a third party and a shareholder of a subsidiary amounted to RM267,483 (31 December 2014: RM1,333,299) and RM291,200 (31 December 2014: RM1,271,200) respectively. 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(b).

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 and sale is expected to be completed within the next financial year.

	Group	
	As at 30.6.2016 RM	As at 31.12.2014 RM
At lower of carrying amount and fair value less cost to sell:		
At the beginning of the financial period/year	1,491,332	-
Transfer from property, plant and equipment (Note 9)	11,540,000	1,491,332
Disposal during the financial period/year	(1,491,332)	-
At the end of the financial period/year	11,540,000	1,491,332

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 a related party relationship with its subsidiaries, key management personnel and companies related to directors. Companies related to directors refer to companies in which the directors of the Company have substantial financial interests.

(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 period/year:-

	Period from 1.1.2015 to 30.6.2016 RM	Year ended 31.12.2014 RM
Group		
(Repayment to)/Advances from a shareholder of a subsidiary	(980,000)	566,249

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 15 and 22.

(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	
	Period from 1.1.2015 to 30.6.2016 RM	Year ended 31.12.2014 RM
Short-term employee benefits	738,953	619,132
Post-employment benefits	64,869	12,000
	803,822	631,132

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		
As at 30.6.2016		
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

	Financial liabilities at amortised cost RM	Total RM
As at 30.6.2016		
Financial liabilities		
Trade payables	508,998	508,998
Other payables and accruals	1,403,524	1,403,524
	1,912,522	1,912,522

	Loans and receivables RM	Total RM
Group		
As at 31.12.2014		
Financial assets		
Trade receivables	3,266,713	3,266,713
Other receivables and deposits	1,127,721	1,127,721
Deposits with a licensed bank	356,791	356,791
Cash and bank balances	1,260,482	1,260,482
	6,011,707	6,011,707

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Trade payables	2,975,702	2,975,702
Other payables and accruals	3,431,272	3,431,272
	6,406,974	6,406,974

25. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

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: (cont'd)

	Loans and receivables RM	Total RM
Company		
As at 30.6.2016		
Financial assets		
Other receivables and deposits	324,831	324,831
Cash and bank balances	209,490	209,490
	534,321	534,321

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

	Loans and receivables RM	Total RM
Company		
As at 31.12.2014		
Financial assets		
Other receivables and deposits	870,251	870,251
Amounts due from subsidiaries	8,619	8,619
Cash and bank balances	1,130,728	1,130,728
	2,009,598	2,009,598

	Financial liabilities at amortised cost RM	Total RM
Financial liability		
Other payables and accruals	66,794	66,794

25. FINANCIAL INSTRUMENTS (cont'd)

(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.

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

Exposure to credit risk

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.

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.

As at 30 June 2016/ As at 31 December 2014
Group/Company

The Group's and the Company's financial liabilities at the reporting date either matures within one year or repayable on demand.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(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	
	As at 30.6.2016 RM	**As at 31.12.2014 RM**
SGD		
Trade receivables	424,723	514,001
Cash and bank balances	45,183	37,922
	469,906	551,923

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	
	As at 30.6.2016 RM	**As at 31.12.2014 RM**
SGD/RM - strengthened 5% (31 December 2014: 5%)	17,621	20,697
SGD/RM - weakened 5% (31 December 2014: 5%)	(17,621)	(20,697)

27. OPERATING LEASE COMMITMENTS

The Group and the Company entered into non-cancellable operating lease arrangements for the rental of office. The lease has a tenure of 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	
	As at 30.6.2016 RM	**As at 31.12.2014 RM**
Future minium rentals payable:		
Not later than one year	45,600	-
More than one year and not later than five years	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 2016 and 31 December 2014.

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 and previous financial years. 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.

(a) Business segment

The principal activities of the Group are those engaged in business of processing, manufacturing and selling drinking water which are substantially within a single business segment. As such, segmental reporting by business segment is deemed not necessary.

29. SEGMENT INFORMATION (cont'd)

(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 and operates from Malaysia only.

(c) Major customers

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

	Period from 1.1.2015 to 30.6.2016 RM	Year ended 31.12.2014 RM
Major customers		
- Customer A	1,187,138	1,156,485
- Customer B	-	916,515
- Customer C	-	594,947
- Customer D	2,547,826	522,406
- Customer E	-	514,500

30. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(a) The Company had on 15 September 2015 announced the following proposals:-

(i) Proposed reduction of the Company's issued and paid-up share capital via cancellation of RM0.15 from the par value of each of existing ordinary share of RM0.20 each in the Company;

(ii) 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;

(iii) Proposed placement of new shares, representing up to 45% of the issued and paid-up share capital of the Company;

(iv) Proposed diversification of the existing core businesses of the Group to include the businesses of management and operation of hotels and resorts, property investment and hotel development;

(v) Proposed amendments to the Memorandum and Articles of Association of the Company to amend the par value of the existing ordinary shares in the Company

On 6 May 2016, the issued and paid-up share capital of RM99,732,000 comprising 498,660,000 ordinary shares of RM0.20 each has been reduced to RM24,933,000 comprising 498,660,000 ordinary shares of RM0.05 each. Accordingly, the proposals (i) and (v) above have been completed.

30. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (cont'd)

(b) Disposal of land and building

On 30 May 2016, the Company's wholly owned subsidiary, Amshore Holdings Sdn. Bhd. ("AHSB") had entered into a conditional Sale and Purchase Agreement with Pentas Prisma Sdn. Bhd. ("PPSB") for the proposed disposal of freehold land and factory for a consideration of RM12 million and simultaneous with the execution of conditional Sale and Purchase Agreement, AHSB and PPSB entered into a proposed tenancy to lease the proposed disposal of land and factory of AHSB for a period of 3 years with the options to extend the tenancy period for another 6 years renewal.

31. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF FINANCIAL PERIOD

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.

32. COMPARATIVE FIGURES

The comparative figures of the preceding financial year covered a period of 12 months whilst the figures of the current financial period's financial statements covered a period of 18 months from 1 January 2015 to 30 June 2016. 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 2016 and 31 December 2014 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**	
	As at 30.6.2016 RM	**As at 31.12.2014 RM**	**As at 30.6.2016 RM**	**As at 31.12.2014 RM**
Total accumulated losses of the Company and its subsidiaries				
- realised	(41,198,151)	(107,473,683)	(24,732,404)	(71,692,327)
- unrealised	(1,965,634)	(2,046,011)	(2,092,500)	(2,092,500)
	(43,163,785)	(109,519,694)	(26,824,904)	(73,784,827)
Add: Consolidation				
Adjustments	40,140,507	38,496,604	-	-
Total accumulated losses	(3,023,278)	(71,023,090)	(26,824,904)	(73,784,827)

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.

List of Properties

As at 30 June 2016

Location	Description	Existing Use	Tenure / Expiry of Lease	Approx age of Building	Area (sq. ft.)	Major encumbrance	Net book value as at 30/6/2016 (RM'000)
Amshore New head office, factory, warehouse 1A, 1A-1, 1A-2, Jalan Kg. Sungai Suloh, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor Darul Ta'zim. H.S.(M) 1476 PTD 2138, Mukim Minyak Beku, Daerah Batu Pahat, Johor Darul Ta'zim.	Medium industrial building	Processing & manufacturing full-automated bottled drinking water	Freehold	Less than 11 years	256,220 (land) 84,550 (built-up)	-	11,487

Amshore Holdings Sdn Bhd has entered into a conditional Sale & Purchase Agreement dated 30 May 2016 with Pentas Prisma Sdn Bhd in relation to the proposed disposal of the Factory for a cash consideration of RM12.00 million.

Revaluation Policy

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.

The freehold land was revalued by the Directors based on a valuation carried out by an independent firm of professional valuers in 2015 on market value basis.

Analysis of Shareholdings

As at 21 September 2016

Authorised Capital	:	RM77,500,000.00 divided into 1,150,000,000 ordinary shares of RM0.05 each and 100,000,000 irredeemable convertible preference shares of RM0.20 each
Issued and fully paid-up capital	:	498,660,000 ordinary shares of RM0.05 each
Voting rights	:	One vote for one ordinary share

Distribution of Shareholdings

CATEGORY	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	10	0.38	471	0.00
100 - 1,000	258	9.79	198,112	0.04
1,001 - 10,000	623	23.65	3,790,600	0.76
10,001 - 100,000	1,191	45.22	58,896,900	11.81
100,001 to less than 5% of issued shares	550	20.88	310,773,917	62.32
5% and above of issued shares	2	0.08	125,000,000	25.07
TOTAL	**2,634**	**100.00**	**498,660,000**	**100.00**

Thirty (30) Largest Shareholders

NOS.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Al Maurid Resources Sdn Bhd	100,000,000	20.05
2	True Profit Holdings Limited	25,000,000	5.01
3	Sure Talent Holdings Limited	17,857,100	3.58
4	Rahmah binti Abdul Rahim	17,225,000	3.45
5	TA Nominees (Tempatan) Sdn Bhd for Tan Ann Gee	7,791,200	1.56
6	Chong Hong Jong	7,300,000	1.46
7	HLIB Nominees (Tempatan) Sdn Bhd for Lim Tien Hok	6,250,000	1.25
8	Maybank Nominees (Tempatan) Sdn Bhd for Chong Chow Ping @ Simon	4,750,000	0.95
9	TA Nominees (Tempatan) Sdn Bhd for Khairil Annuar bin Mohd Said	4,375,700	0.88
10	Maybank Nominees (Tempatan) Sdn Bhd for Chuah Kim Seng	4,076,400	0.82
11	Tan Ai Luang	3,412,400	0.68
12	RHB Capital Nominees (Tempatan) Sdn Bhd for Hamzah bin Mohd Salleh	3,355,317	0.67
13	Toh Tian Hwa	3,250,000	0.65
14	Affin Hwang Nominees (Tempatan) Sdn Bhd for Teo Han Tong	3,000,000	0.60
15	Lim Poh Fong	2,573,300	0.52

Analysis of Shareholdings

As at 21 September 2016

Thirty (30) Largest Shareholders

NOS.	NAME OF SHAREHOLDER	NO. OF SHARES	%
16	HLB Nominees (Tempatan) Sdn Bhd for Tan Cheng Chai	2,500,000	0.50
17	Gan Chong Hui @ Henry Gan	2,400,000	0.48
18	Chuah Kooi Lin @ Lim Kooi Lin	2,300,000	0.46
19	Corporate Advisory and Re-Engineering Services Sdn Bhd	2,274,100	0.46
20	CIMSEC Nominees (Tempatan) Sdn Bhd for Lim Tee Heng	2,176,500	0.44
21	Chee Tai Tai	2,150,000	0.43
22	Ismail bin Kadir	2,100,000	0.42
23	Loo Kiew Man	2,096,100	0.42
24	Lim Kang Pow	2,000,000	0.40
25	Tan Teck Boo	1,930,300	0.39
26	CIMSEC Nominees (Tempatan) Sdn Bhd for Lee Li See	1,903,800	0.38
27	Public Nominees (Tempatan) Sdn Bhd for Lim Mee Theng	1,900,000	0.38
28	Affin Hwang Nominees (Tempatan) Sdn Bhd for Ng Ah Chye	1,891,200	0.38
29	RHB Nominees (Tempatan) Sdn Bhd for Tham Kok Hoi	1,830,100	0.37
30	HLB Nominees (Tempatan) Sdn Bhd for Wong Tak Keong	1,800,000	0.36

	SUBSTANTIAL SHAREHOLDERS	SHAREHOLDINGS		%
		Direct	Indirect	
1	Al Maurid Resources Sdn Bhd	100,000,000	-	20.05
2	True Profit Holdings Limited	25,000,000	-	5.01
3	Zulkifli bin Musa	-	100,000,000 [a]	20.05
4	Shahrizal Hisham bin Abdul Halim	-	100,000,000 [a]	20.05

	DIRECTORS' SHAREHOLDINGS	SHAREHOLDINGS		%
		Direct	Indirect	
1	Shahrizal Hisham bin Abdul Halim	-	100,000,000 [a]	20.05
2	Wong Kok Seong Affin Hwang Nominees (Tempatan) Sdn Bhd	10,000	-	0.00
3	Auzir bin Mohd Yaacob	10,000	-	0.00
4	Prof Dr Mohd Amy Azhar bin Haji Mohd Harif	-	-	0.00

Note:

(a) *Deemed interested by virtue of his interests in Al Maurid Resources Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

Notice to Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth 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 Tuesday, 6 December 2016 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 period ended 30 June 2016 together with the Directors' and Auditors' Report thereon. **(Please refer to Explanatory Note A)**

2. To approve the payment of Directors' Fees of RM162,000 (2014: RM102,000) for the financial period ended 30 June 2016. **RESOLUTION 1**

3. To re-elect En Auzir bin Mohd Yaacob who retires in accordance with Article 127 of the Company's Articles of Association and being eligible, offers himself for re-election. **RESOLUTION 2**

4. To re-appoint Messrs Baker Tilly Monteiro Heng (AF 0117) as the Auditors of the Company and to authorise the Directors to fix their remuneration. **RESOLUTION 3**

SPECIAL BUSINESS

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

5. **ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act") and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **RESOLUTION 4**

6. **ORDINARY RESOLUTION - CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

   (i) "THAT 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 5**

Notice to Annual General Meeting

(ii) "THAT subject to the passing of Resolution 2 above, approval be and is hereby given to En Auzir bin Mohd Yaacob 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 6**

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

BY ORDER OF THE BOARD

SIEW SUET WEI (F)
MAICSA NO. 7011254
Chartered Secretary

Kuala Lumpur
Date: 31 October 2016

NOTES: -

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.

2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.

3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. Where a member is an authorised nominee as defined under 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.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation under its common seal or the hand of its attorney.

6. 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 forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

7. Depositors whose name appear in the Record of Depositors as at 30 November 2016 shall be regarded as members of the company entitled to attend the AGM or appoint proxy(ies) to attend and vote on his/her behalf.

Notice to Annual General Meeting

EXPLANATORY NOTE A

This Agenda item is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965, 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 4

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 16 June 2015. Pursuant to the mandate granted by the shareholders at the AGM held on 16 June 2015 and the specific mandate granted by shareholders at the Extraordinary General Meeting held on 24 February 2016, as at the date of notice of meeting, the Company issued a total of 224,397,000 new ordinary shares at an issue price of RM0.05 each in the share capital of the Company ("Private Placement").

The details of the utilisation of proceeds raised from the Private Placement as at the date of notice of meeting are as follows:-

Purpose of proceeds	Amount Utilised (RM '000)	Amount Unutilised (RM '000)	Original proposed utilisation of proceeds as set out in the circular dated 2 February 2016 (RM '000)	Expected timeframe for utilisation
Funding for 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	9,020	-	9,020	Within two (2) months
Defrayment of expenses related to the Proposals [(1)]	150	2,050	2,200 [(2)]	Within one (1) month
Total	**9,170**	**2,050**	**11,220**	

Note:

(1) Collectively, the Proposed Par Value Reduction, Proposed Subscription, Proposed Placement, Proposed Diversifications and Proposed Amendments

(2) The estimated expenses include estimated professional fees, fees payable to regulatory authorities, printing and advertising costs as well as any other incidental expenses in connection with the Proposals. Any variation to the amount of estimated expenses in relation to the Proposals will result in an adjustment to the proceeds allocated for funding of the Proposed Subscription.

Notice to Annual General Meeting

This authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting. 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. Resolutions 5 and 6

Pursuant to the Malaysian Code on Corporate Governance 2012, 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 nine years.

The Nomination Committee and the Board of Directors had assessed the independence of Mr Wong Kok Seong and En Auzir bin Mohd Yaacob and concluded that both Directors continue to provide proper check and balance to the Board and therefore, also bring an element of objectivity to the Board of Directors. Therefore, the Nomination Committee is satisfied and proposed that Mr Wong Kok Seong and En Auzir bin Mohd Yaacob be retained to continue as Independent Directors.

The proposed Resolutions 5 and 6, if passed, will enable Mr Wong Kok Seong and En Auzir bin Mohd Yaacob to continue to act as Independent Non-Executive Directors of the Company.

STATEMENT ACCOMPANYING NOTICE OF 9TH 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).

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BIO OSMO BERHAD (740838-A)
(Incorporated in Malaysia)

FORM OF PROXY

CDS ACCOUNT NO.	NO. OF SHARES HELD

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 **Ninth 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 **Tuesday, 6 December 2016** at **11.30 a.m.** and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

The proportion of *my/our proxies are as follows:
(This paragraph should be completed only when two proxies are appointed)

First Proxy (1) __________ %   Second Proxy (2) __________ %

*My/Our proxy is to vote as indicated below: -

Agenda	Resolution	For	Against
To approve the payment of Directors' Fee of RM162,000 (2014: RM102,000) for the financial period ended 30 June 2016.	1		
To re-elect En Auzir bin Mohd Yaacob who retires in accordance with Article 127 of the Company's Articles of Association.	2		
To re-appoint Messrs Baker Tilly Monteiro Heng (AF 0117) as the Auditors of the Company and to authorise the Directors to fix their remuneration.	3		
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	4		
To approve Mr Wong Kok Seong to continue in office as an Independent Non-Executive Director.	5		
To approve En Auzir bin Mohd Yaacob to continue in office as an Independent Non-Executive Director.	6		

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.

____
Signature of Member(s)

As witness my hand this __________ day of ____________, 2016

NOTES: -

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under 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.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation under its common seal or the hand of its attorney.
6. 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, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
7. Depositors whose name appear in the Record of Depositors as at 30 November 2016 shall be regarded as members of the company entitled to attend the AGM or appoint proxy(ies) to attend and vote on his/her behalf.

FOLD THIS SLAP 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

2ND FOL D HERE

1ST FOL D HERE

BIO OSMO BERHAD

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