BIO OSMO BERHAD

Annual Report 2013

Contents

Corporate Information

Board Of Directors

En Shahrizal Hisham bin Abdul Halim [1]
Executive Director

Mr Yang Chin Kar [2]
Executive Director/Deputy Chief Executive Officer

Mr Wong Kok Seong
Independent Non-Executive Director

En Auzir Bin Mohd Yaacob
Independent Non-Executive Director

Assoc. Prof. Dr. Mohd Amy Azhar bin Hj. Mohd Harif [3]
Independent Non-Executive Director

Mr Lee Choong Choy [4]
Alternate Director to Yang Chin Kar /
Deputy Chief Operating Officer

Note:-
1 *Appointed as Executive Director on 1 March 2014.*
2 *Resigned as Executive Director and Deputy Chief Executive Officer on 28 February 2014.*
3 *Re-designated from Non-Independent & Non-Executive Director to Independent & Non-Executive Director on 12 February 2014.*
4 *Resigned as Alternate Director to Executive Director and Deputy Chief Operating Officer on 28 February 2014*

Audit Committee

Chairman
Mr Wong Kok Seong

Member
En Auzir Bin Mohd Yaacob
Assoc. Prof. Dr. Mohd Amy Azhar bin Hj. Mohd Harif

Nomination Committee

Chairman
Mr Wong Kok Seong

Member
En Auzir Bin Mohd Yaacob

Remuneration Committee

Chairman
Mr Wong Kok Seong

Member
En Auzir Bin Mohd Yaacob

Company Secretary

Ms Siew Suet Wei
MAICSA No. 7011254
Ms Khoo Wei Lee
MAICSA No. 7063165

Registered Office

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

Auditor

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

Share Registrar

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

Principal Bankers

CIMB Bank Berhad
Malayan Banking Berhad

Solicitors

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

Stock Exchange Listing

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

Website

www.bioosmobhd.com

Group Structure

BIO OSMO BERHAD

Morning Valley Sdn Bhd
Investment holding Company
100%

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

Amshore Vista Sdn Bhd
(formerly known as Arctic Ice (M) Sdn Bhd)
Trading and distribution of beverages and related consumer products
100%

Amshore KL Sdn Bhd
Process, manufacture and distribute of drinking bottled water
66%

Al Maurid Oil & Gas Sdn Bhd
(formerly known as Sinaran Strategik Sdn Bhd) *
Dormant
100%

* This subsidiary was acquired on 19 February 2014

Board of Directors' Profile

Wong Kok Seong
Malaysian, aged 45

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

Shahrizal Hisham
Bin Abdul Halim
Malaysian, aged 46

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 joint 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 has not attended any Board Meetings held during the period from 1 July 2012 to the financial period ended 31 December 2013 as he was only appointed to the Board in March 2014. He is a director and shareholder of Al Maurid Resources Sdn Bhd (formerly known as Tristar Properties Sdn Bhd), a substantial shareholder of the Company.

He was also appointed as an Independent Non-Executive Director in a public listed company, Tanjong Offshore Berhad on 9 May 2014. He has no conflict of interest with the Company or any conviction for any offences within the past 10 years.

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 a Partner from 1999 to 2005. His experience extended to multinational companies where he was appointed as Finance Director for a few of the companies. During his tenure there, he was responsible for the preparation of business plans, budgets and organisational financial statements. On his return to Malaysia in 2006 and upon obtaining his audit license, Mr. Wong joined an audit firm Messrs Hasnan THL Wong & Partners, and is currently its Managing Partner. He brings with him experience in external and internal auditing, financial accounting, management consultancy, taxation, due diligence and project financing and implementation.

Mr. Wong has attended all nine (9) Board Meetings held during the period from 1 July 2012 to the financial period ended 31 December 2013. 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 10 years.

Auzir bin Mohd Yaacob
Malaysian, aged 62

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

Assoc. Prof. Dr.
Mohd AmyAzhar
bin Haji Mohd Harif
Malaysian, aged 41

Independent Non-Executive Director
Member of Audit 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 has attended all nine (9) Board Meetings held during the period from 1 July 2012 to the financial period ended 31 December 2013. 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 10 years.

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

He is a chartered Accountant and a member of the Malaysia Institute of Accountants. He is currently attached to the Faculty School of Economic, Finance and Banking, College of Business, University Utara Malaysia ("UUM") as Associate Professor and he is the holder of Ph.D in Franchising and Financial Planning, Master in Business Administration (Management) and Bachelor in Accounting (Hons.).

Assoc. 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. Assoc. 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 has attended seven (7) out of nine (9) Board Meetings held during the period from 1 July 2012 to the financial period ended 31 December 2013. 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 10 years, he has not been convicted for any offence other than traffic offence.

Executive Director's Letter to the Shareholders

"I believe the time is ripe for your Company to expand its horizon"

Shahrizal Hisham bin Abdul Halim
Executive Director

My fellow shareholders,

I am delighted to report to you the state of your Company since my predecessor penned his letter to you in the previous Annual Report. I would also like to share with you the prospects of our Company going forward, as well as the path we are heading towards.

As you are aware, your Company has successfully completed its corporate re-engineering exercise in end-November 2013, where, through a share placement exercise, we raised a total gross proceed of RM23.0 million. Of that amount, RM18.0 million was utilised to repay all outstanding debt with Bank Kerjasama Rakyat Malaysia Berhad. The balance sum was utilised for working capital for the group's main operations, Amshore Holdings Sdn Bhd, as well as to pay for professional fees incurred for the corporate exercise.

In the same corporate exercise, your Company has also issued 40.36 million of new ordinary shares worth RM8.07million to various trade and non-trade creditors to offset against the overdue debts owning to them, some of whom were long overdue creditors. Your Company has also issued 100 million Convertible Preference Shares (CPS) at RM0.20 each, valued at RM20.0 million to redeem all outstanding Collateralised Loans Obligations (CLO).

Through one comprehensive exercise, your Company has instantaneously cleaned up all bank loans, CLOs, and almost all outstanding creditors. By the stroke of a pen, your Company's balance sheet has also improved markedly. The Company can proudly proclaim itself as a debt free company now. Arising from the new share issuance, your Company's share capital has increased from 200 million shares to 455.36 million shares (after the full conversion of the CPS), or RM91.07 million in value terms.

The exercise was never an easy one. It took us almost two years to complete. I would like to put on record our gratitude to the professional teams who walked through this voyage with us. Our appreciation also goes to our banker, Bank Kerjasama Rakyat Malaysia, the CLO Bondholders and its trustee, TMF Trustees who have been extraordinarily patient with us while awaiting for us to complete the exercise. To Bursa Malaysia, we thank them for their support and co-operation to see through the various implementation stages of our corporate exercise.

For the 18-month financial year ended 31 December 2013, your Company achieved a revenue of RM15.86 million, against RM7.78 million recorded during the preceding 12-month period ended 30 June 2012. Although net loss remained high at RM19.50 million, it included RM13.58 million in non-cash adjustments deriving from deposits written off of RM8.89 million, impairment of trade receivables of RM1.29 million, and reversal of deferred tax asset of RM3.39 million. In other words, without these one-off accounting write-offs, net loss would have been only RM5.92 million, against RM9.21 million recorded during the 12-month financial year ended 30 June 2012. The write off in deposits was a result of your Company discontinuing the two legal proceedings which was taken up several years ago. In view of the complexity of the cases, we decided to stop pursuing the suits, as it will drain our resources and time with no certainty of success.

Putting the corporate exercise and the legal battles behind us, we can now re-focus our attention to rebuild our business operations. The last few years we witnessed a gradual dwindling of our reverse osmosis bottled drinking water business, with a big part attributed to the weak cashflow of your Company. With an improved financial position now, we envisage the rejuvenation of our business operations. Slowly, but surely.

On 29 May 2014, your Company made an announcement to Bursa Malaysia on our proposed acquisition of a 49% equity stake in Bayam Enterprise Sdn Bhd for RM17.15 million in cash. Bayam is involved in food and beverage catering and hospitality services for the oil & gas industry, as well as providing medical and other supporting services for the oil drilling platforms. Our deal involves the vendor, En Azman bin Ismail providing a RM5.5 million profit after tax guarantee for the financial year ending 31 Dec 2014. With over 80% of the purchase consideration are being paid out progressively over this financial year – pegging on the guaranteed profits – your Company has indeed struck a well-protected deal structure on this investment. Your Company will be issuing a Circular to you with more details of this acquisition, and I ask that you vote favourably in the forthcoming EGM to be held later this year.

Bayam certainly came at the right moment for us to tap on their expertise in the oil & gas industry. This acquisition fits nicely for us, and complements our aspiration to make an in-road into the oil & gas sector. With strong accolades and many years of working relationships with its customers, which essentially are the major international oil companies, Bayam offers us a solid platform to diversify into an oil & gas service provider.

With a more commendable balance sheet, I believe the time is ripe for your Company to expand its horizon. Whilst the RO water business continues to be significant in our income base – at least for the moment – we are certainly ready to explore new opportunities, with oil & gas topping the list, either directly under the Bio Osmo banner, or through Bayam. We are in no hurry, but when a good opportunity arises, we will not let it slip through our fingers easily.

It has been a long five years since my predecessors and colleagues took on the mission to revive your Company while it was in the verge of collapsing. With lots of hard work, and a bit of luck, they managed to turnaround your Company. My fellow board members and I would like to thank them, for without their undivided dedication and hard work, we will not be where we are today. Not forgetting, I must thank all our suppliers and customers who have continued to support us throughout the good and bad times. And to you, my fellow shareholders, thank you for staying firmly with us. I admit that we have yet to complete our work, but I certainly would regard this as a journey on the right path, *Insha Allah*.

Thank you.

Shahrizal Hisham bin Abdul Halim
Executive Director

Statement on Corporate Governance

The Board of Directors of Bio Osmo Berhad is committed to the maintenance of high standards of corporate governance by implementing the principles and best practices set out in Part 1 and 2 of the Malaysian Code of Corporate Governance 2012 ("Code") as its recognises the paramount importance of good corporate governance to the success of the Group. Steps have been taken to ensure and evaluate the status of the Group's corporate governance procedures and to implement the Code's best practices.

The Board has assessed the level of corporate governance practiced in the Group and confirms that unless otherwise stated in this statement, the Group has complied with all the principles and recommended best practices throughout the financial period ended 31 December 2013.

(A) BOARD OF DIRECTORS

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.

(i) Board Balance

The Board currently comprises four (4) members of whom one (1) is the Executive Director and three (3) are Independent Non-Executive Directors. The composition of Independent Non-Executive Directors is in compliance with Paragraph 15.02 of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements on the Board composition.

Although a relatively small Board, it 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. A key strength of this structure has been the speed of decision-making and greater interaction amongst the board members.

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 Non-Executive Directors provide objective and independent judgment on issues of strategy, performance, policies and resources.

The Board also has a well-defined framework on the various categories of matters that require the Board's approval, endorsement or notations. The Board is thus ensured that it fairly reflects the investment of minority shareholders and possesses the required mix of skills and experience required for the effective discharge of the Board's duties and responsibilities.

Profile of each of the Directors is presented on the earlier pages of this Annual Report.

(ii) Board Meetings

The Board governs the operations of the Company. The Board will meet regularly, at least once in a quarter, with additional meetings held as necessary to formulate and adopt strategic business plan for the Group, to evaluate the impact of risks affecting the operations of the Group and to formulate appropriate risk managing system.

For the financial period ended 31 December 2013, the attendance of the Directors is as follows:-

Director	No. of meetings attended
En Shahrizal Hisham bin Abdul Halim [1]	Nil
Mr Yang Chin Kar [2]	9/9
Mr Wong Kok Seong	9/9
En Auzir bin Mohd Yaacob	9/9
Asso Prof Dr Mohd Amy Azhar bin Haji Mohd Harif	7/9

[1] *Appointed with effect from 1 March 2014*
[2] *Resigned with effect from 28 February 2014*

Each of the Directors has attended more than fifty percent (50%) of the total Board meetings held during the financial period ended 31 December 2013 except En Shahrizal Hisham bin Abdul Halim due to his appointment only on 1 March 2014, thus fulfilling the requirements of the Listing Requirements.

(iii) Supply of information

All Board meetings held during the year were preceded by a notice issued by the Company Secretary. Prior to the Board meeting, all directors receive the agenda together with relevant reports and Board papers containing information relevant to the business of the meeting. The directors are also given sufficient time to obtain further information or explanation on matters presented in the Board papers. Company Secretary attends all Board Meetings whereby all proceedings and conclusion from the Board Meetings are minuted and signed by whoever presiding the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Chairman of the respective Board Committees reports to the Board on the outcome of each Committees' Meetings and proceedings are incorporated in the Minutes of Board Meetings.

In addition to the 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. In furtherance of their duties, Directors have access to all information within the Group and to the advice and services of the officers of the Company, the Company Secretary and are allowed to call on or procure all necessary external professional advice at the Company's expense.

Where necessary, the Board whether as a full Board or in their individual capacities, may engage independent professionals at the Company's expense to advice on issues of concerns to facilitate the proper discharge of their statutory and fiduciary duties.

(vi) Company Secretary

The Company Secretary provides guidance to the Board on matters pertaining to the Board's responsibilities in order to ensure that they are effectively discharged within relevant legal and regulatory requirements. This includes updating the Board on the MMLR, circular from Bursa Malaysia Securities Berhad and other legal and regulatory developments and their impact on the Group and its business.

The Company Secretary attends all Board and Committee Meetings where she records and circulates the minutes of the meetings. She is also responsible for the safekeeping of the minutes by ensuring that they are kept at the registered office of the Company and are available for inspection, if required.

(v) Directors' Training and Development programmes

En Shahrizal Hisham bin Abdul Halim who was appointed on 1 March 2014 had attended successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. on 7 and 8 May 2014. All the other Directors have also attended MAP previously. New Director was briefed on the Company's history, operations and financial control system and plant visit to enable him to have in-depth understanding of the Company's operation.

The Board acknowledges the importance of constantly updating itself on the general economic, industry development and technical developments by their attendance at appropriate conferences, seminars, workshops and briefings. The Directors will continue to attend relevant training programmes to further enhance their skills and knowledge and fully equip themselves to effectively discharge their duties.

(vi) Appointment of Directors

The Board, through the Nomination Committee, appraises the composition of the Board. All members of the Nomination Committee are non-executive directors of the Company as recommended by the Code.

The Nomination Committee was established on 23 October 2007 and it currently comprises the following members:

Chairman : Wong Kok Seong
Member : En. Auzir bin Mohd Yaacob

The Nomination Committee ensures that the Company recruits, retains, trains and develop the best available executive and non-executive directors and managers board rewards and succession effectively. The Nomination Committee is also responsible for making independent recommendations on appointments to the Board. In making these recommendations, the Nominations Committee considers the skills, knowledge, expertise and experience, professionalism, integrity and other qualities of the candidate. Any new nomination received is put to the full Board for assessment and endorsement.

The Board through the Nomination Committee also reviews annually its required mix of skills and experience and other qualities, including core competencies which the Directors should bring to the Board. The Board has also implemented an annual process for continuous assessment and feedback to the Board, on the effectiveness of the Board as a whole, the Board committees and the contribution of each individual director.

The Company does not have a formal process for the orientation of newly appointed Board members as orientation is conducted on an informal basis by the Executive Directors. The Board is of the opinion that the activities of the Group are not complex as to require a formal training.

For the financial period ended 31 December 2013, the attendance of the Members at the Nomination Committee is as follows:-

Members	No. of meetings attended
Mr. Wong Kok Seong	1/1
En. Auzir bin Mohd Yaacob	1/1

(vii) Re-election of Directors

In accordance with the Company's Articles of Association, at least one third of the Directors shall retire by rotation at each Annual General Meeting provided always that all Directors including the Managing Director shall retire from office at least once every three (3) years but shall be eligible for re-election. Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

Pursuant to Section 129 of the Companies Act 1965, Directors who are over the age of seventy (70) years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

(B) 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 is responsible for recommending to the Board the remuneration framework and the remuneration packages of the Executive Director in all its form. The Executive Director's remunerations comprise basic salary, allowances, bonuses and other customary benefits to the Group made available as appropriate. The Non-Executive Directors' remunerations comprise only fix monthly fee.

The Executive Director did not participate in any way in determining his individual remuneration. The Board as a whole determines the remuneration of the non-executive directors with individual directors abstaining from decisions pertaining to their own remuneration. The Group's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities.

The Remuneration Committee was established on 23 October 2007 and comprises the following Directors:

Chairman : Wong Kok Seong
Member : En. Auzir bin Mohd Yaacob

Details of the Directors' remuneration are disclosed in Note 6 to the financial statements of this Annual Report. The Board opts not to disclose the remuneration of each individual director due to the Company's concerns for the sensitivity and confidentiality of such information. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration is adequately served by the "band disclosure" in accordance with the Listing Requirements.

Number of Directors whose remuneration falls into the following bands:

Range of Remuneration	Executive	Non-executive
Below RM 50,000	-	1
RM 50,001 to RM 100,000	-	2
RM 100,001 to RM 150,000	-	-
RM 150,001 to RM 200,000	-	-
RM 200,001 to RM 250,000	2	-

For financial period ended 31 December 2013, none of the Directors were offered share options under the Company's Employee Share Option Scheme.

(C) SHAREHOLDERS COMMUNICATION AND INVESTORS RELATIONS

The Board recognises the need for an effective and active communications policy with its shareholders. In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders with a regular update on the Group's operations and performance.

The Annual General Meeting ("AGM") is the principal forum for dialog between the Company and the shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 21 days prior to date of meeting. Shareholders are encouraged to and given the opportunity to participate in the proceedings effectively and vote on the matters in the Agenda. Members of the Board, Senior Management and the Auditors of the Company are present at the meeting to respond to any queries from the shareholders. Notice of AGM provides separate resolutions to be proposed at the AGM for each distinct issue, where necessary.

The Company strives to maintain an open and transparent channel of communication 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 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.

(D) ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

In presenting the annual financial statements and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects.

The Audit Committee assists the Board in reviewing the information for disclosure to ensure compliance with accounting standards, completeness, accuracy and adequacy.

The Directors are of the opinion that the Group uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgements and estimates, and that the financial statements have been prepared in accordance with applicable approved Financial Reporting Standards in Malaysia, the provisions of the Companies Act, 1965 and the Main Market Listing Requirements of Bursa Securities.

(ii) Risk Management and Internal Control

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound risk management and system of internal control.

The Statement on Risk Management and Internal Control of the Group set out in Pages 20 to 21 of this Annual Report provides an overview on the state of risk management and internal controls within the Group throughout the financial year.

The Group's internal audit function is outsourced to an external firm providing Internal Audit services, which reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan.

(iii) Relationship with the Auditors

The Company has always maintained a close and transparent professional relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The role and a summary of the activities of the Audit Committee during the year is described in the Audit Committee Report set out on Pages 14 to 19 of this Annual Report.

(E) ADDITIONAL COMPLIANCE INFORMATION

(i) Recurrent Related Party Transaction of a Revenue or Trading Nature

There were no recurrent related party transactions involved in the financial period ended 31 December 2013.

(ii) Share Buy-back

There were no share buyback transactions involved in the financial period ended 31 December 2013.

(iii) Exercise of Options, Warrants or Convertible Securities

The Company has issued 100,000,000 three-year 1% Irredeemable Convertible Preference Shares ("ICPS") of RM0.20 each with 25,000,000 detachable warrants on the basis on one (1) Warrant for four ICPS at no cost on 3 December 2013. The details of the ICPS and Warrants are disclosed in Note 20, 21 and 22 to the financial statements of this Annual Report.

All the 100,000,000 ICPS of RM0.20 have since been converted into ordinary shares on 13 January 2014.

(iv) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Group and its subsidiaries have not sponsored any Depository Receipt Programme for the financial period ended 31 December 2013.

(v) Sanctions and/or Penalties

The Group and its subsidiaries, Directors and management have not been imposed with any sanctions and/or penalties by regulatory bodies.

(vi) Material Contracts

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

(vii) Revaluation of Landed Properties

The Group and its subsidiaries do not have a revaluation policy on landed properties.

(viii) Non-Audit Fees

There were no non-statutory audit fees paid to the external auditors of the Group and its subsidiaries during the financial period under review.

(ix) Corporate Social Responsibilities

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

(x) Profit Guarantee, Profit Estimates, Forecast or Projection

No profit guarantee was given by the Group and/or its subsidiaries in respect of the financial year.

(xi) Variation in results

There is no major variance between the results for the financial year and the unaudited results previously announced. The Group and its subsidiaries did not make any release on the profit estimate, forecast or projections for the financial year.

(xii) Utilisation of proceeds

During the financial period, the Company has issued 115,000,000 new ordinary shares of RM0.20 each for cash at an issue price of RM0.20 per ordinary share through private placement.

The proceeds arising from the Private Placement were mainly utilised for the debt and liabilities settlement and for working capital, such as for the purchases of raw materials, salary and administrative expenses and maintenance of existing plant & machinery.

The Group has fully settled the bank borrowings and has zero bank borrowing at this juncture of time.

This Statement has been reviewed and approved by the Board of Directors at the meeting held on 22 May 2014.

Audit Committee Report

Composition And Membership

The Audit Committee had three (3) directors, all of whom were Non-Executive Directors, and their composition is as follows:

Mr. Wong Kok Seong
Chairman/Independent Non-Executive Director

En Auzir Bin Mohd Yaacob
Member/Independent Non-Executive Director

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

Terms Of Reference

The Audit Committee carried out its duties as set out in the Terms of Reference. The Board of Directors reviews the Terms of Reference from time to time to ensure continuous compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

Objective

The primary objective of the Audit Committee is to assist the Board of Directors in the effective discharge of its fiduciary responsibilities as to corporate governance, financial reporting, auditing and internal control.

Composition

The Audit Committee shall be appointed by the Board of Directors from amongst its members which fulfils the following requirements:

i. the Audit Committee must be composed of no fewer than three (3) members;

ii. all the Audit Committee members should be non-executive directors, with a majority of them being independent directors;

iii. at least one (1) member of the Audit Committee:-

  a. must be a member of the Malaysian Institute of Accountants; or

  b. if he /she is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience; and

    1) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

    2) he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

    3) fulfills such other requirements as prescribed or approved by Bursa Securities.

iv. no alternate director is appointed as a member of the Audit Committee.

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three years.

Chairman

The members of the Audit Committee must elect a Chairman among themselves who shall be an independent director.

Secretary

The Company Secretary(ies) of the Company shall be the Secretary of the Audit Committee.

Meetings and Minutes

The Audit Committee shall meet at least four (4) times a year or more frequently as they consider necessary. A quorum shall be two (2) members present, a majority of whom must be independent directors.

The Audit Committee may invite the Group Chief Operating Officer, Head of Finance, the internal auditor and external auditor to attend the meeting. Other Board members and/or employees may attend any particular meeting upon invitation of the Audit Committee. The external auditor may request for a meeting if they consider necessary.

The minutes of Audit Committee meeting shall be signed by the Chairman of the meeting and distributed to each member of the Audit Committee and the Board of Directors. The Chairman of the Audit Committee shall report to the Board of Directors on each meeting.

Authority

The Audit Committee shall in accordance with a procedure determined by the Board of Directors:

i. have authority to investigate any matter within its terms of reference;

ii. have the resources which are required to perform its duties;

iii. have full and unrestricted access to any information pertaining to the Company and the Group;

iv. have direct communication channels with the internal and external auditors and with senior management of the Company;

v. be able to obtain independent professional or other advice;

vi. be able to convene meeting with external auditor, internal auditor or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary; and

vii. report promptly to the Bursa Securities of matters which results in a breach of the Listing Requirements.

Functions and Duties

The functions and duties of the Audit Committee are:-

i. To consider and report the same to the Board of Directors of the Company the appointment, nomination, resignation and dismissal of external auditors and their respective audit fees;

ii. To discuss with the external auditor before the audit commences, the nature and scope of the audit, competency and resources of the external audit and ensure co-ordination where more than one audit firm is involved;

iii. To discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management);

Functions and Duties (cont'd)

iv. to review the following and report the same to the Board of Directors of the Company:

a. with the external auditor, the audit plan;

b. with the external auditor, his evaluation of the system of internal controls;

c. with the external auditor, his audit report;

d. the assistance given by the employees of the Company to the external auditor;

e. the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

f. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

g. review any appraisal or assessment of the performance of members of the internal audit function and their respective audit fees;

h. approve any appointment or termination of senior staff members of the internal audit function;

i. take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

j. the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:
- changes in or implementation of major accounting policy changes;
- significant and unusual events;
- compliance with accounting standards and other legal requirements;
- significant adjustment arising from the audit; and
- the going concern assumption.

k. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

l. any letter of resignation from the external auditors of the Company; and

m. whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment.

v. to review and discuss any management letter sent by the external auditors to the Company and the management's response to such letter;

vi. to consider the report, major findings and management's response thereto on any internal investigations carried out by the internal auditors;

vii. to review all areas if significant financial risk and the arrangements in place to contain those risks to acceptance levels; and

viii. to carry out such other functions as may be agreed to by the Audit Committee and the Board of Directors.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as Executive Director, the Group Chief Operating Officer, Head of Finance, the Head of Internal Audit and external auditors in order to be kept informed of matters affecting the Company.

MEETINGS

i. Meetings of the Committee shall be held not less than four (4) times a year.

ii. The Chairman shall convene a meeting of the Committee if requested to do so in writing by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee.

iii. A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as:

   a. the quorum of Committee is met;

   b. at the commencement of the meeting each Committee member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;

   c. each of the Committee members taking part is able to be heard and hear each of the other members subject as hereinafter mentioned throughout the meeting; and

   d. the Committee members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone, but the meeting shall be deemed to have been conducted validly notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the members during the disconnection ad that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned.

iv. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee.

v. Written notice of the meeting together with the agenda shall be given to the members of the Committee, external auditor and any other person invited to attend the meeting, where applicable.

vi. The Group Chief Operating Officer, Head of Finance, the Head of Internal Audit (where such a function exists) shall normally attend meetings. Other Board members, employees, any professionals or outsiders and a representative of the external auditors with relevant experience or expertise may attend any particular meeting only at the Committee's invitation.

vii. At least twice a year, the Committee shall meet with the external auditors without Executive Board members present.

viii. The quorum for a meeting of the Committee shall be two (2), provided always that the majority of members present must be independent directors.

ix. Any decision of the Committee shall be by simple majority.

x. The Committee shall record its conclusions in discharging its duties and responsibilities.

xi. The Company Secretary shall be the Secretary of the Committee.

xii. The Secretary is responsible for sending out notices of the meetings and preparing and keeping minutes of meetings.

Meetings (cont'd)

The Audit Committee held five (6) meetings during the financial period from 1 July 2012 to 31 December 2013 and the attendance of each Audit Committee member are as follows:

Members	No. of meetings attended
Mr. Wong Kok Seong	6/6
En. Auzir bin Mohd Yaacob	6/6
Assoc. Prof. Dr. Mohd Amy Azhar bin Haji Mohd Harif	6/6

SUMMARY OF ACTIVITIES

During the financial period under review, the activities of the Audit Committee included:

i. review internal audit's reports and memorandums;

ii. review quarterly unaudited financial result prior to submission to the Board of Directors for their consideration and approval;

iii. review 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;

iv. review any significant issues and concerns arising from internal and external audit;

v. review the Company's compliance with the amendments to Bursa Securities Main Market Listing Requirements and other relevant rules and regulations;

vi. reviewed the related party transactions entered into by the Company and the Group;

viii. discussed and reviewed the statement of Directors' responsibility for the financial period ended 31 December 2013;

ix. discussed and reviewed the statement on risk management and internal control for the financial period ended 31 December 2013;

x. discussed and reviewed the audit committee report for the financial period ended 31 December 2013;

xi. discussed and reviewed the statement on Corporate Governance for the financial period ended 31 December 2013;

xii. discussed and reviewed the statement on Risk Management and Internal Audit Function for the financial period 31 December 2013;

xiii. meeting and discussion with the external Auditors of the Company without the presence of the Executive Directors and employees of the Company;

xiv. discussed and reviewed the external auditors' scope of work and the audit planning memorandum for the financial period ended 31 December 2013 and recommend their appointment and fees to the Board for approval;

xv. discussed and reviewed the staffing requirements, the skills, the core competencies and the independence of the internal and external auditors and made recommendations to the Board of Directors on the appointment of internal and external auditors of the Company; and

xvi. discussed and reviewed the Risk Management Committee reports.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an external firm specialising in internal audit work. For the financial period ended 31 December 2013, the cost incurred for internal audit function was approximately RM12,000. 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 action. The Audit Committee reviewed and deliberated the internal audit reports and relevant issued presented during the regular Audit Committee meetings.

During the financial period under review, the outsourced Internal Audit firm carried out the following activities:-

i. Conduct independent reviews on revenue cycle internal controls from pre-sales process, sales order processing and after sales process involving recording, reporting and monitoring processes;

ii. Review on collection cycle covering accounts receivables ageing monitoring, collection and remittance processes; and

iii. Review on cash flow planning process and periodical reporting.

A number of minor 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.

Statement on Risk Management and Internal Control

The Board of Directors of Bio Osmo Berhad is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"). The External Auditors have reviewed this Statement as required under Paragraph 15.23 of the MMLR and have reported to the Board that it appropriately reflects the processes that the Board has adopted in reviewing the adequacy and integrity of the system of internal control.

Board Responsibility

The Board of Directors recognises the importance of sound risk management and internal control to good corporate governance and is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of operations.

Due to limitations that are inherent in any system of internal control, the system is designed to manage and mitigate, rather than eliminate, the risk of failure in achieving the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

Nonetheless, the Board remains committed towards operating a sound system of internal control and have recognised that the system must continuously evolve to support the type of business and size of operations of the Group. The Board, in striving for continuous improvement, will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control and risk management.

Risk Management Framework

The Group has in place an on-going process for identifying, evaluating and managing significant risks faced by the Group. As an integral part of planning and review, management from each business area identify their risks, the probability of those risks occurring, the impact if they do occur and the actions being taken to manage those risks to the desired level.

This process has been in place throughout the year and up to the date of approval of the annual report and financial statements. The Audit Committee together with our outsourced internal audit firm, independently reviews the risk identification procedures implemented by the Management to ensure the effectiveness of the Group's system of internal control.

The Board conducts periodic reviews on the adequacy and integrity of the Group's Enterprise Risks Management ("ERM") framework and policies, particularly in relation to the mechanisms for principal risks identification, assessment, response and control, communication and monitoring.

Assurance Mechanism

The Board, through the Audit Committee examines the effectiveness of the Group's system of internal control. The activities undertaken by the Audit Committee in this respect include:

- Assessment of risk by reviewing evidence of risk assessment activity;
- Reviews of the interim and annual financial statements;
- Review of the scope of the external audit and the external auditors' plans and recommendations;
- Conducted reviews and updates of risk profiles including emerging risks and re-rated principal risks;
- Evaluated the adequacy of key processes, systems, and internal controls in relation to the rated principal risks, and established strategic responses, actionable programmes and tasks to manage the aforementioned and/or eliminate performance gaps;
- Ensured internal audit programmes covered identified principal risks. Audit findings throughout the financial period served as key feedback to validate effectiveness of risk management activities and embedded internal controls;

Assurance Mechanism (cont'd)

- Reviewed implementation progress of previously outlined actionable programmes, and evaluated post implementation effectiveness; and

- Reviewed the adequacy of all business resumption and contingency plans, and their readiness for rapid deployment.

System Of Internal Control

The key elements of the Group's internal control system are:-

- Key responsibilities, clear lines of accountability and reporting within the organisational structure are clearly defined, with clear reporting lines up to the Board and its Committees. Established delegation of authority sets out the appropriate authority levels for decision-making, including matters requiring Board approval.

- Appropriate strategic business plans are established where the Group's business objectives, strategies and targets are articulated. Business planning and budgeting are undertaken annually, to establish plans and targets against which performance is monitored on an ongoing basis.

- Formalised and documented Internal Policies and Procedures, which are set out in a series of clearly documented standard operating manuals covering a majority of areas within the Group, are maintained and subject to periodic review as and when necessary.

- The Group's Management team monitors and reviews financial and operational results, including identifying, evaluating, monitoring and reporting of performance of the Group against the operating plans. The Management team formulates and communicates action plans to address areas of concern whilst the Board would formulates the strategic direction and plans for the Group.

- The preparation of periodic and annual results and the financial performance together with the state of affairs of the Group are reviewed and approved by the Board before their release to the regulators whilst the full year financial statements are audited by the external auditors before their issuance to the regulators and shareholders.

- The Group views and takes continuous efforts in maintaining the quality of products and services offered by the group. The Directors and Management team ensure that safety and health regulations, environmental requirements and relevant legislations affecting the Group's operations and Quality Control are considered and complied with, as appropriate and without compromise.

- Active participation and involvement by the Executive Director and senior management staff in the day-to-day operation of the whole Group.

Conclusion

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties but would require separate disclosure in the Group's annual report. Nevertheless, the Board shall continue to take necessary measures to improve the Group's risk management and internal control systems in meeting the Group's corporate objectives.

This Statement was approved by the Board of Directors on 22 May 2014.

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(period) and of the results and cash flows of the Group for the financial year(period).

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 is made in accordance with a resolution of the Board of Directors date 22 May 2014.

Financial Statement

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 31 December 2013.

Change of Financial Year End

The Group and the Company changed their financial year end from 30 June to 31 December to coincide with the calendar year to facilitate better business planning and improve certain operational processes of the Company and its subsidiaries.

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 before tax	(16,107,572)	(23,565,945)
Taxation	(3,394,527)	581
Loss net of tax	(19,502,099)	(23,565,364)
Loss attributable to:		
Owners of the Company	(19,186,517)	(23,565,364)
Non-controlling interest	(315,582)	-
	(19,502,099)	(23,565,364)

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.

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 there were no bad debts 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 it necessary to write off any bad debts or render the amount of the 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 have 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.

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; 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

During the financial period, the following issue of shares was made by the Company:

(i) 40,360,000 new ordinary shares of RM0.20 each pursuant to the settlement of debts owing to certain creditors of the Group;

(ii) 115,000,000 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; and

(iii) 100,000,000 Irredeemable Convertible Preference Shares ("ICPS") together with 25,000,000 detachable Warrants pursuant to the settlement of debts owing to the secured lender of the Group.

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

During the financial period, the authorised share capital of the Company of RM100,000,000 divided into 500,000,000 ordinary shares of RM0.20 each was increased to RM230,000,000 divided into 1,150,000,000 ordinary shares of RM0.20 each.

There were no other changes in the authorised, issued and paid-up capital of the Company 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
Assoc. Prof. Dr. Mohd Amy Azhar Bin Haji Mohd Harif
Shahrizal Hisham Bin Abdul Halim (Appointed On 1.3.2014)
Yang Chin Kar (Resigned On 28.2.2014)
Lee Chong Choy (Resigned On 28.2.2014)

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 RM0.20 Each			
	At 1.7.2012	**Bought**	**Sold**	**At 31.12.2013**
Name of Directors:				
Auzir Bin Mohd Yaacob	10,000	-	-	10,000
Wong Kok Seong	10,000	-	-	10,000

None of the other directors in office at the end of the financial period had any interest in shares in the Company or its related corporations during the financial period.

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 are disclosed in Note 34 to the financial statements.

Subsequent Events

Details of subsequent events to the financial period ended are disclosed in Note 35 to the financial statements.

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 28 April 2014.

SHAHRIZAL HISHAM BIN ABDUL HALIM

WONG KOK SEONG

Statement by Directors

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

We, Shahrizal Hisham Bin 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 31 to 82, 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 31 December 2013 and of their financial performance, and cash flows for the financial period then ended.

The supplementary information set out on page 83 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 28 April 2014.

SHAHRIZAL HISHAM BIN 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 31 to 82 and the supplementary information set out on Page 83 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 28 April 2014

CHANG HOW WENG

Before me

YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN (W533)
Commissioner for Oaths

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 31 December 2013 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 31 to 82.

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 of 31 December 2013 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.

Independent Auditors' Report to the Members of Bio Osmo Berhad (cont'd)

(Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out on page 83 to the financial statements 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

As stated in Note 2 to the financial statements, Bio Osmo Berhad adopted the Malaysian Financial Reporting Standards on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 30 June 2012 and its related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial period ended 31 December 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as at 31 December 2013 and the financial performance and cash flows for the financial period then ended.

The financial statements of the Group and of the Company for the financial year ended 30 June 2012 which were prepared in accordance with the Financial Reporting Standards in Malaysia were audited by another firm of chartered accountants whose report dated 30 October 2012 expressed an unmodified audit opinion.

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
AF 0117
Chartered Accountants

HENG FU JOE
2966/11/14(J)
Chartered Accountant

Kuala Lumpur
28 April 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Financial Period Ended 31 December 2013

	Note	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Revenue	4	15,863,388	7,782,558
Cost of sales		(20,011,073)	(10,876,969)
Gross loss		(4,147,685)	(3,094,411)
Other income		4,380,120	265,999
Selling and distribution costs		(2,559,285)	(1,679,984)
Administrative costs		(1,542,944)	(1,443,206)
Other costs		(11,825,362)	(709,401)
		(15,927,591)	(3,832,591)
Loss from operations		(15,695,156)	(6,661,003)
Finance costs		(412,416)	(1,533,411)
Loss before tax	5	(16,107,572)	(8,194,414)
Income tax expense	7	(3,394,527)	(1,019,000)
Loss net of tax, representing total comprehensive expense for the financial period/year		(19,502,099)	(9,213,414)
Loss/Total comprehensive income attributable to:			
Owners of the Company		(19,186,517)	(9,213,414)
Non-controlling interests		(315,582)	-
		(19,502,099)	(9,213,414)
Loss per share attributable to owners of the Company (sen per share)			
Basic	8	(9.15)	(4.60)
Diluted	8	(9.15)	(4.60)

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 31 December 2013

	Note	As at 31.12.2013 RM	As at 30.6.2012 RM	As at 1.7.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	9	43,101,153	43,952,059	47,100,843
Other investment	11	-	1	1
Deferred tax assets	12	128,855	3,395,108	4,414,108
		43,230,008	47,347,168	51,514,952
Current assets				
Inventories	13	1,149,495	2,098,043	1,670,848
Trade receivables	14	2,272,205	3,411,166	2,732,688
Other receivables, deposits and prepayments	15	393,276	9,824,953	9,819,438
Tax recoverable		55,264	55,354	53,139
Deposits with a licensed bank	17	345,366	328,229	428,463
Cash and bank balances		2,276,601	153,148	118,388
		6,492,207	15,870,893	14,822,964
Total Assets		49,722,215	63,218,061	66,337,916
Equity and Liabilities				
Share capital	18	71,072,000	40,000,000	40,000,000
Share premium	19	2,853,305	2,853,305	2,853,305
Irredeemable convertible preference shares (“ICPS”) - equity component	20	19,613,436	-	-
Warrants reserve	21	2,092,500	-	-
Accumulated losses		(50,896,488)	(29,617,471)	(20,400,383)
Equity attributable to owners of the Company		44,734,753	13,235,834	22,452,922
Non-controlling interest		(315,548)	-	(3,674)
Total equity		44,419,205	13,235,834	22,449,248
Liabilities				
Non-current liabilities				
ICPS - liability component	20	515,419	-	-
Bank borrowings	23	-	-	14,728,880
		515,419	-	14,728,880
Current liabilities				
Trade payables	24	903,278	4,747,605	1,713,268
Other payables and accruals	25	3,884,313	4,692,816	1,617,154
Finance lease payables	22	-	4,691	112,428
Bank borrowings	23	-	40,537,115	25,716,938
		4,787,591	49,982,227	29,159,788
Total liabilities		5,303,010	49,982,227	43,888,668
Total Equity and Liabilities		49,722,215	63,218,061	66,337,916

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

		<--------------------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 of 1 July 2011		40,000,000	2,853,305	-	-	(20,400,383)	22,452,922	(3,674)	22,449,248
Total comprehensive income for the financial year		-	-	-	-	(9,213,414)	(9,213,414)	-	(9,213,414)
Transactions with owners									
Changes in ownership interests in a subsidiary		-	-	-	-	(3,674)	(3,674)	3,674	-
Balance at 30.6.2012		40,000,000	2,853,305	-	-	(29,617,471)	13,235,834	-	13,235,834
Balance as at 1.7.2012		40,000,000	2,853,305	-	-	(29,617,471)	13,235,834	-	13,235,834
Total comprehensive income for the financial period		-	-	-	-	(19,186,517)	(19,186,517)	(315,582)	(19,502,099)
Transactions with owners									
Subscription of shares by non-controlling interest in a subsidiary		-	-	-	-	-	-	34	34
Issuance of ICPS with free warrants	20	-	-	19,613,436	2,092,500	(2,092,500)	19,613,436	-	19,613,436
Issuance of ordinary shares	18	31,072,000	-	-	-	-	31,072,000	-	31,072,000
Total transactions with owners		31,072,000	-	19,613,436	2,092,500	(2,092,500)	50,685,436	34	50,685,470
Balance at 31.12.2013		71,072,000	2,853,305	19,613,436	2,092,500	(50,896,488)	44,734,753	(315,548)	44,419,205

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 31 December 2013

	Note	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Cash Flows from Operating Activities			
Loss before tax		(16,107,572)	(8,194,414)
Adjustments for:			
Deposits written off		8,889,978	-
Depreciation of property, plant and equipment		4 ,748,307	3,123,689
Impairment loss on trade receivables		1,290,304	-
Interest expense		412,416	1,533,411
Loss on disposal of a subsidiary		-	11,874
Other investment written off		1	-
Unrealised (gain)/loss on foreign currency exchange		(42,597)	32,270
Gain on disposal of property, plant and equipment		(23,270)	(156,450)
Interest income		(17,137)	(10,419)
Waiver of debts and interest		(4,190,591)	-
Operating loss before working capital changes		(5,040,161)	(3,660,039)
Changes in working capital:			
Changes in inventories		948,548	(427,195)
Changes in receivables		432,674	(683,993)
Changes in payables		2,535,531	6,099,087
Cash (used in)/generated from operations		(1,123,408)	1,327,860
Tax paid		-	(2,216)
Tax refunded		671	-
Interest paid		(412,416)	(1,533,411)
Interest received		-	10,419
Net cash used in operating activities		(1,535,153)	(197,348)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	9	(3,897,956)	(38,855)
Proceeds from disposal of property, plant and equipment		23,825	220,400
Cash outflow on disposal of a subsidiary	10	-	(962)
Net cash (used in)/from investing activities, balance carried down		(3,874,131)	180,583

	Note	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Balance brought down		(3,874,131)	180,583
Cash Flows from Financing Activities			
(Repayment)/Drawdown of bank borrowings		(15,462,885)	91,298
Proceeds from issuance of ordinary shares	18	23,000,000	-
Proceeds from issuance of shares to non-controlling interest		34	-
Payment of finance lease		(4,691)	(107,737)
Withdrawal of deposit with a licensed bank		-	100,234
Net cash from financing activities		7,532,458	83,795
Net increase in cash and cash equivalents		2,123,174	67,030
Effect of exchange rate changes on cash and cash equivalents		279	(32,270)
Cash and cash equivalents at beginning of the financial period/year		153,148	118,388
Cash and cash equivalents at end of the financial period/year		2,276,601	153,148
Cash and cash equivalents at end of the financial period/year comprises:			
Cash and bank balances		2,276,601	153,148
Deposits with licensed banks		345,366	328,229
		2,621,967	481,377
Less: Deposits with a licensed bank pledged		(345,366)	(328,229)
		2,276,601	153,148

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 31 December 2013

	Note	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Revenue	4	-	-
Cost of sales		-	-
Gross loss		-	-
Selling and distribution costs		(130,486)	(132,353)
Administrative costs		(1,759,790)	(177,976)
Other costs		(21,675,669)	-
		(23,565,945)	(310,329)
Loss before tax	5	(23,565,945)	(310,329)
Income tax credit	7	581	-
Loss net of tax, representing total comprehensive income for the financial period/year		(23,565,364)	(310,329)

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

Statement of Financial Position
as at 31 December 2013

	Note	As at 31.12.2013 RM	As at 30.6.2012 RM	As at 1.7.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	9	7,759	7,351	8,430
Investment in subsidiaries	10	41,280,000	11,144,233	5,476,005
Deferred tax asset	12	128,855	-	-
		41,416,614	11,151,584	5,484,435
Current assets				
Other receivables, deposits and prepayments	15	16,694	534	30,580
Amount due from subsidiaries	16	-	2,962,640	8,358,071
Cash and bank balances		1,138	462	7,901
		17,832	2,963,636	8,396,552
Total Assets		41,434,446	14,115,220	13,880,987

	Note	As at 31.12.2013 RM	As at 30.6.2012 RM	As at 1.7.2011 RM
Equity And Liabilities				
Share capital	18	71,072,000	40,000,000	40,000,000
Share premium	19	2,853,305	2,853,305	2,853,305
ICPS - equity component	20	19,613,436	-	-
Warrants reserve	21	2,092,500	-	-
Accumulated losses		(55,081,199)	(29,423,335)	(29,113,006)
Total equity		40,550,042	13,429,970	13,740,299
Liability				
Non-current liability				
ICPS - liability component	20	515,419	-	-
Current liabilities				
Other payables and accruals	25	368,982	685,250	140,688
Amount due to a subsidiary	26	3	-	-
		368,985	685,250	140,688
		884,404	685,250	140,688
Total Equity And Liabilities		41,434,446	14,115,220	13,880,987

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 31 December 2013

			<---------Non-distributable	--------->			
		Share Capital	Share Premium	Irredeemable Convertible Preference Shares - Equity Component	Warrants Reserve	Accumulated Losses	Total Equity
Company	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Balance at 1.7.2011		40,000,000	2,853,305	-	-	(29,113,006)	13,740,299
Total comprehensive loss for the financial year		-	-	-	-	(310,329)	(310,329)
Balance at 30.6.2012		40,000,000	2,853,305	-	-	(29,423,335)	13,429,970
Total comprehensive income for the financial period		-	-	-	-	(23,565,364)	(23,565,364)
Transactions with owners							
Issuance of ordinary shares	18	31,072,000	-	-	-	-	31,072,000
Issuance of ICPS with free warrants	20	-	-	19,613,436	2,092,500	(2,092,500)	19,613,436
Total transactions with owners		31,072,000	-	19,613,436	2,092,500	(2,092,500)	50,685,436
Balance at 31.12.2013		71,072,000	2,853,305	19,613,436	2,092,500	(55,081,199)	40,550,042

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 31 December 2013

	Note	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Cash Flows from Operating Activities			
Loss before tax		(23,565,945)	(310,329)
Adjustments for:			
Depreciation of plant and equipment		1,952	1,079
Impairment loss on investment in subsidiaries		18,713,029	100,001
Impairment loss on amount due from a subsidiary		2,962,640	-
Reversal of impairment loss on investment in a subsidiary		-	(842,074)
Operating loss before working capital changes		(1,888,324)	(1,051,323)
Changes in working capital:			
Changes in receivables		(16,160)	30,046
Changes in payables		(316,265)	544,561
Cash used in operations		(2,220,749)	(476,716)
Tax refunded		581	-
Net cash used in operating activities		(2,220,168)	(476,716)
Cash Flows from Investing Activities			
Additional investment in a subsidiary		-	(1)
(Advances to)/Repayment from subsidiary		(20,776,796)	469,275
Purchase of plant and equipment	9	(2,360)	-
Cash outflow on disposal of a subsidiary	10	-	3
Net cash (used in)/from investing activities		(20,779,156)	469,277
Cash Flows from Financing Activity			
Proceeds from issuance of ordinary shares, representing net cash from financing activity		23,000,000	-
Net changes in cash and cash equivalents		676	(7,439)
Cash and cash equivalents at beginning of the financial period/year		462	7,901
Cash and cash equivalents at end of the financial period/year		1,138	462
Cash and cash equivalents at end of the financial period/year comprises:			
Cash and bank balances		1,138	462

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

1. Corporate Information

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

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

The principal place of business of the Company is located at 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 28 April 2014.

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, except as disclosed in the significant accounting policies in Note 3.

The financial statements of the Group and of the Company for the financial period ended 31 December 2013 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the previous financial year, the financial statements of the Group and of the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires the 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(f).

(b) New, Revised and Amendments/Improvements to Accounting Standards and Issues Committee Interpretations ("IC Int")

(i) Explanation of Transition to MFRSs

In conjunction with the planned convergence of FRSs with the International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

2. **Basis of Preparation** (cont'd)

(b) **New, Revised and Amendments/Improvements to Accounting Standards and Issues Committee Interpretations ("IC Int")**

(i) **Explanation of Transition to MFRSs** (cont'd)

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2015. Transitioning Entities also include those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities have adopted the MFRSs framework including MFRS 1 First-time adoption of MFRSs for the current financial period ended 31 December 2013.

MFRS 1 requires comparative information to be restated as of the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1 July 2011 (date of transition) and throughout all financial periods presented, as if these policies had always been in effect.

As at 30 June 2012, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 Agriculture and IC Int 15 Agreements for the Construction of Real Estate as well as differences in effective dates contained in certain of the existing FRSs.

In preparing the opening consolidated statement of financial position as at 1 July 2011, the Group has adjusted certain amounts reported previously in financial statements prepared in accordance with the previous FRSs framework. Comparative figures in these financial statements have been restated to give effect to these changes.

In accordance with the exemptions in MFRS 1, the Group elected to use the previous revaluation of their land and buildings in 2011 as their deemed cost under the MFRSs at the date of transition. The revaluation reserve of RM1,242,508 as at 1 July 2011 and 30 June 2012 was reclassified to accumulated losses. The carrying amounts of these land and buildings have not been restated.

(c) **New and Revised MFRS, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int**

(i) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int**

The Group and the Company had early adopted the following new and revised MFRSs, amendments/ improvements to MFRSs, new IC Int and amendments to IC Int that are effective for annual periods beginning on or after 1 January 2013:-

<u>New MFRSs</u>

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements

2. **Basis of Preparation** (cont'd)

(c) **New and Revised MFRS, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int** (cont'd)

(i) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int** (cont'd)

The Group and the Company had early adopted the following new and revised MFRSs, amendments/ improvements to MFRSs, new IC Int and amendments to IC Int that are effective for annual periods beginning on or after 1 January 2013:- (cont'd)

New MFRSs (cont'd)

MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments

The early adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any significant effect on the financial statements of the Group and of the Company.

2. Basis of Preparation (cont'd)

(c) New and Revised MFRS, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New, revised, amendments/improvement to accounting standards and New IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new and revised MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	To be announced by the MASB
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 7	Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8	Operating Segments	1 July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1 January 2014
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 116	Property, Plant and Equipment	1 January and 1 July 2014
MFRS 119	Employee Benefits	1 July 2014
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2014 and Applies when MFRS 9 is applied
MFRS 140	Investment Property	1 July 2014
<u>New IC Int</u>		
IC Int 21	Levies	1 January 2014

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

2. Basis of Preparation (cont'd)

(c) New, Revised and Amendments/Improvements to Accounting Standards and Issues Committee Interpretations ("IC Int") (cont'd)

(ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

MFRS 10 brings about convergence between MFRS 127 and IC Int 112 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationship, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

MFRS 12 Disclosures of Interest in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is 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.

2. Basis of Preparation (cont'd)

(d) Basis of measurement

The financial statements have been prepared on the historical cost convention except for those as disclosed in the significant accounting policies note.

(e) 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.

(f) 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.

(ii) Impairment loss on receivables (Notes 14 and 16) – The Group 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 considers 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 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 and other investment (Notes 10 and 11) – 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) Deferred tax assets (Note 12) - Deferred tax assets are recognised for all deductible temporary differences based on projected future profit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences in respect of expenses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the subsidiaries.

3. Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of controls as mentioned above.

When the Group has less than majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other holders;
- Potential voting rights, if such rights are substantive, held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- The nature of the Group's relationship with other parties and whether those other parties are acting on its behalf (i.e. they are 'de facto agents'); and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(ii) Business Combination

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisition, the Group measures the cost of goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the 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.

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.

3. Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

(iii) Acquisitions of Non-controlling Interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transaction between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of Control

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 surplus or deficit 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 equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling Interest

Non-controlling interests at the reporting date, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the other comprehensive income for the financial period between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions Eliminated on Consolidation

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

(b) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

3. Significant Accounting Policies (cont'd)

(b) Foreign Currency (cont'd)

(i) Foreign Currency Transactions (cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(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.

(e) Leases

(i) Finance Lease – the Group as Lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

3. Significant Accounting Policies (cont'd)

(e) Leases (cont'd)

(i) Finance Lease – the Group as Lessee (cont'd)

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease are depreciated in accordance with the depreciation policy for property, plant and equipment.

(ii) 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.

(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.

3. Significant Accounting Policies (cont'd)

(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.

(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.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has positive intention and ability to hold maturity.

Subsequent to initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses are recognised in statements of comprehensive income when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

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.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

3. Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

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

(l) Impairment of Financial Assets

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

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

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

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

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

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

(m) Inventories

Inventories are stated at the lower of cost and net realisable value as follows:

- Raw materials: purchase costs including costs incurred in bringing the inventories to their present location and condition on a first in first out method.

- Finished goods and work-in-progress: includes cost of direct materials, direct labour and appropriate production overhead are assigned on a first in first out method.

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

3. Significant Accounting Policies (cont'd)

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft.

(o) Share Capital

(i) Ordinary Shares

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(ii) Preferences Shares

Preference shares are classified as equity if they are non-redeemable, or are redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised in equity in the period in which they are declared.

Preference shares are classified as liability if they are 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.

(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.

3. Significant Accounting Policies (cont'd)

(r) Provision

Provisions are recognised when the Group has 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.

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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(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.

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

(t) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(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, other payables including deposits and accruals, and borrowings.

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

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

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

3. Significant Accounting Policies (cont'd)

(u) Financial Liabilities (cont'd)

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 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

(w) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribes that fair value of an asset or 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 take places either in the principal market or in the absence of a principal market, in the most advantageous market which must be accessible to by the Group.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in the highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting date.

For the purpose of fair value disclosures, the Group had determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Auditors' remuneration				
- Statutory audit:				
- current financial period/year	107,000	40,000	45,000	10,000
- over provision in prior financial year	-	(7,000)	-	(2,000)
- Other services	72,000	-	72,000	-
Deposits written off	8,889,978	-	-	-
Depreciation of property, plant and equipment	4,748,307	3,123,689	1,952	1,079
Employee benefits expense (including key management personnel):				
- Contribution to defined contribution plan	222,818	146,161	47,938	32,400
- Salaries, allowance and bonus	2,359,408	1,548,594	78,081	277,802
Impairment loss on amount due from a subsidiary	-	-	2,962,640	-
Impairment loss on investment in subsidiaries	-	-	18,713,029	100,001
Impairment of trade receivables	1,290,304	-	-	-
Interest expense on:				
- Revolving credit	-	544,061	-	-
- Finance lease	496	2,531	-	-
- Term loans	-	956,194	-	-
- Primary Collateralised Loan Obligation	-	30,625	-	-
Loss on disposal of a subsidiary	-	11,874	-	-
Loss/(gain) on foreign currency exchange				
- realised	85,048	11,838	-	-
- unrealised	(42,597)	32,270	-	-
Rental of factory	45,000	39,450	-	-
Rental of hostel	45,825	15,780	-	-
Bad debts recovered	(69,066)	-	-	-
Gain on disposal of property, plant and equipment	(23,270)	(156,450)	-	-
Interest income	(17,137)	(10,419)	-	-
Interest waiver by a financial institution	(1,653,476)	-	-	-
Other investment written off	1	-	-	-
Reversal of impairment loss on investment a subsidiary	-	-	-	(842,074)
Waiver of debts	(2,537,115)	-	-	-

6. Directors' Remuneration

	Group		Company	
	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Fees	108,000	75,000	108,000	75,000
Other emoluments	263,749	426,254	263,749	371,944
Contribution to defined contribution plan	61,200	41,040	61,200	34,560
Total directors' remuneration	432,949	542,294	432,949	481,504

7. Income Tax Expense/(Credit)

	Group		Company	
	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Current tax:				
Malaysian income tax:				
Current financial period/year	-	-	-	-
Over provision in prior financial year	(581)	-	(581)	-
	(581)	-	(581)	-
Deferred tax (Note 12):				
Origination and reversal of temporary differences	3,395,108	1,019,000	-	-
	3,395,108	1,019,000	-	-
Income tax expense/(credit) recognised in profit or loss	3,394,527	1,019,000	(581)	-

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

	Group		Company	
	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Loss before tax	(16,107,572)	(8,194,414)	(23,565,945)	(310,329)
Tax at the Malaysian statutory income tax rate of 25%	(4,026,893)	(2,048,604)	(5,891,486)	(77,582)
Tax effect on non-deductible expenses	2,264,641	347,815	5,891,486	77,582
Reversal of deferred tax assets recognised	3,395,108	-	-	-
Tax effect on non-taxable income	(870,248)	-	-	-
Deferred tax asset not recognised during the financial period/year	2,632,500	2,719,789	-	-
Over provision in prior financial year - current tax	(581)	-	(581)	-
Income tax expense/(credit) recognised in profit or loss	3,394,527	1,019,000	(581)	-

7. Income Tax Expense/(Credit) (cont'd)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% (30.6.2012:25%) of the estimated assessable profit for the financial period. In the Budget Speech 2014, the Government announced that the domestic corporate tax rate would be reduced to 24% from the current financial period's rate of 25% with effect from year of assessment of 2016.

The Group has estimated tax loss carry-forwards of RM19,373,684 (30.6.2012: RM12,097,744) capital allowances carry-forward of RM266,508 (30.6.2012: RMnil) and reinvestment allowances carry-forward of RM27,265,088 (30.6.2012: RM27,265,088), 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 attributable to ordinary equity holders of the Company of RM19,186,517 (30.6.2012: RM9,213,414) by the weighted average number of ordinary share in issue during the financial period of 209,621,566 (30.6.2012: 200,000,000) ordinary shares of 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.

Since the end of the financial period, a total of 100,000,000 new ordinary shares of RM0.20 each pursuant to the conversion of 100,000,000 ICPS of RM0.20 each.

9. Property, Plant and Equipment

Group	Freehold land RM	Factory buildings RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Cost						
At 1 July 2011	4,465,799	13,090,568	51,737,239	1,570,669	1,193,991	72,058,266
Additions	-	-	27,225	11,630	-	38,855
Disposals	-	-	-	(2,700)	(630,655)	(633,355)
At 30 June 2012/ 1 July 2012	4,465,799	13,090,568	51,764,464	1,579,599	563,336	71,463,766
Additions	-	-	3,740,996	134,960	22,000	3,897,956
Disposals	-	-	-	(3,150)	(27,200)	(30,350)
At 31 December 2013	4,465,799	13,090,568	55,505,460	1,711,409	558,136	75,331,372
Accumulated depreciation						
At 1 July 2011	-	1,900,610	21,106,592	905,062	1,045,159	24,957,423
Charge for the financial year	-	390,888	2,511,606	135,406	85,789	3,123,689
Disposals	-	-	-	(1,792)	(567,613)	(569,405)
At 30 June 2012/ 1 July 2012	-	2,291,498	23,618,198	1,038,676	563,335	27,511,707
Charge for the financial period	-	586,333	3,976,917	180,290	4,767	4,748,307
Disposals	-	-	-	(2,595)	(27,200)	(29,795)
At 31 December 2013	-	2,877,831	27,595,115	1,216,371	540,902	32,230,219

9. Property, Plant and Equipment (cont'd)

Group	Freehold land RM	Factory buildings RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Net carrying amount						
At 1 July 2011	4,465,799	11,189,958	30,630,647	665,607	148,832	47,100,843
At 30 June 2012	4,465,799	10,799,070	28,146,266	540,923	1	43,952,059
At 31 December 2013	4,465,799	10,212,737	27,910,345	495,038	17,234	43,101,153

Company	Office equipment RM
Cost	
At 1 July 2011/30 June 2012/1 July 2012	10,789
Additions	2,360
At 31 December 2013	13,149
Accumulated depreciation	
At 1 July 2011	2,359
Charge for the financial year	1,079
At 30 June 2012/ 1 July 2012	3,438
Charge for the financial period	1,952
At 31 December 2013	5,390
Net carrying amount	
At 1 July 2011	8,430
At 30 June 2012	7,351
At 31 December 2013	7,759

The carrying amount of property, plant and equipment of the Group pledged to licensed banks as securities for credit facilities granted to a subsidiary as disclosed in Note 23 are as follows:

	Group		
	31.12.2013 RM	**30.6.2012 RM**	**1.7.2011 RM**
Freehold land and buildings	-	15,264,869	15,655,757
Plant and machinery	-	28,146,266	30,630,647
Office equipment, furniture and fittings	-	533,572	657,177
Motor vehicles	-	1	148,832
	-	43,944,708	47,092,413

10. Investment in Subsidiaries

	Company 2013 RM	2012 RM
Unquoted shares, at cost:		
At the beginning of the financial period/year	32,698,201	32,698,203
Addition	-	1
Disposal	-	(3)
	32,698,201	32,698,201
Amount due from a subsidiary	53,774,953	4 ,926,157
	86,473,154	37,624,358
Less: Allowance for impairment losses	(45,193,154)	(26,480,125)
At the end of the financial period/year	41,280,000	11,144,233

The amount due from subsidiary is non-trade in nature, unsecured and interest free. The settlement of this amount is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less impairment loss, if any.

Movement in allowance for impairment losses are as follow:

	Company 2013 RM	2012 RM
At beginning of the financial period/year	26,480,125	27,222,198
Additions	18,713,029	100,001
Reversal	-	(842,074)
At end of the financial period/year	45,193,154	26,480,125

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 31.12.2013	As at 30.6.2012	As at 1.7.2011
Held By The Company					
Amshore Holdings Sdn. Bhd.	Processing, manufacturing and selling of drinking water	Malaysia	100%	100%	100%
Morning Valley Sdn. Bhd.	Inactive	Malaysia	100%	100%	100%
Amshore Vista Sdn. Bhd. (formerly known as Arctic Ice (M) Sdn. Bhd.)	Dormant	Malaysia	100%	100%	100%

10. Investment in Subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Proportion of Ownership Interest/Voting Rights As at 31.12.2013	As at 30.6.2012	As at 1.7.2011
Held By The Company (cont'd)					
Subsidiary of Amshore Holdings Sdn. Bhd.					
Amshore KL Sdn. Bhd.	Processing, manufacturing and selling bottled drinking water	Malaysia	66%	-	-

On 18 January 2013, Amshore Holdings Sdn. Bhd. subscribed 66% of the total equity in Amshore KL Sdn. Bhd. comprising 66 ordinary shares of RM1 each at par value for a cash consideration of RM66.

On 26 March 2012, the Company disposed of its entire equity interest in Corporate Advisory and Re-engineering Services Sdn. Bhd. ("CARES") for a total cash consideration of RM3.00 to a third party. Consequently, CARES ceased to be the subsidiary company of the Company.

The fair value of the assets and liabilities of the subsidiary disposed of is as follows:-

	Group RM
Cash and bank balances	(965)
Other payables	12,842
Group's share of net liabilities	11,877
Loss on disposal of a subsidiary	(11,874)
Total disposal consideration in cash	3
Cash and cash equivalents disposed of	(965)
Cash outflow on disposal of subsidiary	(962)

11. Other Investment

	Group As at 31.12.2013 RM	As at 30.6.2012 RM	As at 1.7.2011 RM
Unquoted investments			
Non-Current			
Held-to-maturity investment	-	3,500,000	3,500,000
Less: Impairment loss	-	(3,499,999)	(3,499,999)
	-	1	1

11. Other Investment (cont'd)

This is in respect of assets-backed securities comprising Subordinated Bonds ("the Bonds") under the Primary Collateralised Loan Obligation ("Primary CLO") as disclosed in Note 23.

Pursuant to the Primary CLO transaction, the Group subscribed for the Bonds on a pro-rata basis in the proportion to the maximum aggregate principal amount limited to ten per cent (10%) of the principal amount of the Loan.

The Bonds carry a variable coupon rate in that payment of interest be subjected to availability of cash flows after fulfilling payment obligation senior to the Bonds. There is however no indicative market net assets-back value of the unquoted bond and the redemption value of the Bonds is depending on the availability of cash flows after fulfilling payment obligation senior to the Bonds with an initial maturity date on 10 October 2011.

As disclosed in Note 23, in the previous financial year, the Company had secured the consent from the Bond Issuer ("Issuer") to settle the Primary CLO under a new Settlement Agreement ("SA"). Under the new SA, the Group shall surrender the Bonds to the Issuers at no costs.

During the financial period, the new SA has been completed and consequently, the Bonds have been surrendered to the Issuer. The amount invested by the Group had been fully written off.

12. Deferred Tax Assets

	Group	
	2013	**2012**
	RM	**RM**
At the beginning of the financial period/year	3,395,108	4,414,108
Recognised in equity	128,855	-
Recognised in profit or loss (Note 7)	(3,395,108)	(1,019,000)
At the end of the financial period/year	128,855	3,395,108

This is in respect of estimated deferred tax asset and liability arising from temporary differences as follows:

		Group	
	As at	**As at**	**As at**
	31.12.2013	**30.6.2012**	**1.7.2011**
	RM	**RM**	**RM**
Deferred tax assets			
ICPS	128,855	-	-
Unabsorbed capital allowances	-	3,322,489	3,322,489
Unutilised tax losses	-	1,665,500	2,684,500
Deductible temporary differences in respect of expenses	-	3,830,071	3,830,071
	128,855	8,818,060	9,837,060
Deferred tax liability			
Difference between the carrying amount of property, plant and equipment and its tax base	-	(5,422,952)	(5,422,952)
	128,855	3,395,108	4,414,108

The deferred tax asset and liability are not available for set-off as they arise from different taxable entities within the Group.

12. Deferred Tax Assets (cont'd)

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

	Group		
	As at 31.12.2013 RM	**As at 30.6.2012 RM**	**As at 1.7.2011 RM**
Deductible temporary difference in respect of expenses	16,568,000	-	15,320,284
Unused tax losses	19,373,684	12,097,744	10,738,000
Unutilised capital allowance	266,508	-	13,289,956
Unutilised reinvestment allowance	27,265,088	27,265,088	27,265,088
	63,473,280	39,362,832	66,613,328
@ 25%	15,868,320	9,840,708	16,653,332

13. Inventories

	Group		
	As at 31.12.2013 RM	**As at 30.6.2012 RM**	**As at 1.7.2011 RM**
At cost,			
Raw materials	451,144	1,774,422	959,868
Work-in-progress	165,419	115,271	14,007
Finished goods	532,932	208,350	696,973
	1,149,495	2,098,043	1,670,848

During the financial period, the cost of inventories recognised as an expense in cost of sales of the Group is RM20,011,073 (2012: RM10,876,969).

In the previous financial year, the inventories were pledged to licensed banks as securities for credit facilities granted to a subsidiary as disclosed in Note 23.

14. Trade Receivables

	Group		
	As at 31.12.2013 RM	**As at 30.6.2012 RM**	**As at 1.7.2011 RM**
Trade receivables	3,562,509	3,411,166	18,049,495
Less: Allowance for impairment	(1,290,304)	-	(15,316,807)
Trade receivables, net	2,272,205	3,411,166	2,732,688

(a) Credit terms of trade receivables

The Group's normal credit term ranges from 30 to 60 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.

14. Trade Receivables (cont'd)

(b) Ageing analysis of trade receivables

	Group As at 31.12.2013 RM	Group As at 30.6.2012 RM	Group As at 1.7.2011 RM
Neither past due nor impaired	446,260	1,770,888	903,236
1 to 90 days past due but not impaired	510,818	549,975	773,786
91 to 180 days past due but not impaired	1,018,622	125,744	362,756
181 days to 365 days past due but not impaired	294,590	291,827	177,114
More than 365 days past due but not impaired	1,915	672,732	515,796
	1,825,945	1,640,278	1,829,452
Impaired	1,290,304	-	15,316,807
	3,562,509	3,411,166	18,049,495

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 RM1,825,945 (30.6.2012: RM1,640,278; 1.7.2011: RM1,829,452) 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
The Group has trade receivables that are impaired at the previous financial year amounting to RM1,290,304 (30.6.2012: RMnil; 1.7.2011: RM15,316,817) of which are individually impaired and the nominal amounts and the allowance for impairment are the same.

Movement of allowance accounts:

	Group 2013 RM	Group 2012 RM
At the beginning of the financial period/year	-	15,316,807
Charge for the financial year	1,290,304	-
Written off	-	(15,316,807)
At the end of the financial period/year	1,290,304	-

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.

In the previous financial year, trade receivables were pledged to licensed banks as securities for credit facilities granted to a subsidiary as disclosed in Note 23.

15. Other Receivables, Deposits and Prepayments

	Group As at 31.12.2013 RM	As at 30.6.2012 RM	As at 1.7.2011 RM
Other receivables	17,422	15,934	7,800
Deposits	171,405	9,678,796	9,718,085
Prepayments	204,449	130,223	93,553
	393,276	9,824,953	9,819,438

	Company As at 31.12.2013 RM	As at 30.6.2012 RM	As at 1.7.2011 RM
Other receivables	3	3	-
Deposits	10,431	531	-
Prepayments	6,260	-	30,580
	16,694	534	30,580

Included in the deposits of the Group are deposits for acquisition of property, plant and equipment of RMnil (30.6.2012 and 1.7.2011: RM9,589,978) representing deposits previously paid to the vendors of the property, plant and equipment. The sale and purchase agreements were mutually terminated with the respective vendors in the previous financial years. Consequently, the Group has taken legal action in the previous financial years to recover the deposits from the respective vendors.

In previous financial year, the Group successfully obtained a judgement in favour of the Group to recover the deposits from one of the vendors. During the financial period, the Group received a sum of RM700,000 from the said vendor as part settlement of the judgement sum. However, the remaining balance of deposits remain uncollectable and had been fully written off during the financial period.

The carrying amount of RMnil (30.6.2012: RM6,824,419; 1.7.2011: RM6,819,738) of the Group have been pledged to licensed banks as securities for credit facilities granted to a subsidiary as disclosed in Note 23.

16. Amounts Due from Subsidiaries

	Company As at 31.12.2013 RM	As at 30.6.2012 RM	As at 1.7.2011 RM
Amount due from subsidiaries	2,962,640	2,962,640	8,358,071
Less: Allowance for impairment loss	(2,962,640)	-	-
	-	2,962,640	8,358,071

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

17. 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 1.0% -2.5% (30.6.2012 and 1.7.2011: 1.0% -2.5%) per annum and 365 days (30.6.2012 and 1.7.2011: 365 days) respectively.

18. Share Capital

	Group/Company			
	Number of shares		Amount	
	2013	2012	2013 RM	2012 RM
Authorised share capital:				
Ordinary shares of RM0.20 each				
Beginning of financial period/year	500,000,000	500,000,000	100,000,000	100,000,000
Created during the financial period/year	650,000,000	-	130,000,000	-
End of financial period/year	1,150,000,000	500,000,000	230,000,000	100,000,000
Issued and fully paid:				
Ordinary shares of RM0.20 each				
Beginning of financial period/year	200,000,000	200,000,000	40,000,000	40,000,000
Issued during the financial period/year	155,360,000	-	31,072,000	-
End of financial period/year	355,360,000	200,000,000	71,072,000	40,000,000

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.

During the financial period, the following issue of shares was made by the Company:

(i) 40,360,000 new ordinary shares of RM0.20 each pursuant to the settlement of debts owing to certain creditors of the Group; and

(ii) 115,000,000 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.

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

19. 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.

20. Irredeemable Convertible Preference Shares ("ICPS")

	Group/Company			
	Number of shares		Amount	
	2013	2012	2013 RM	2012 RM
Authorised share capital:				
ICPS at RM0.20 each				
Beginning of financial period/year	-	-	-	-
Created during the financial period/ year	100,000,000	-	20,000,000	-
End of financial period/year	100,000,000	-	20,000,000	-
Issued and fully paid:				
ICPS at RM0.20 each				
Beginning of financial period/year	-	-	-	-
Issued during the financial period/ year	100,000,000	-	20,000,000	-
End of financial period/year	100,000,000	-	20,000,000	-

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 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 RM0.20;
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	
	31.12.2013 RM	30.6.2012 RM
Liability component of ICPS		
Liability component at the date of issue	386,564	-
Deferred tax asset arising in respect of liability component	128,855	-
Liability component at initial recognition/end of the financial period/year	515,419	-
Equity component of ICPS		
Equity component at the date of issue	19,613,436	-
Equity component at initial recognition/end of the financial period/year	19,613,436	-
	20,128,855	-

21. 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 13 March 2018 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	
	31.12.2013	**30.6.2012**
Unexercised warrants	25,000,000	-

22. Finance Lease Payables

		Group	
	As at 31.12.2013 RM	**As at 30.6.2012 RM**	**As at 1.7.2011 RM**
Minimum finance lease payments			
Within one year	-	4 ,742	114,965
Less: Future finance charges	-	(51)	(2,537)
Present value of finance lease payables	-	4,691	112,428
Analysed as:			
Payable within twelve months	-	4 ,691	112,428

As at 30 June 2012, the effective interest rates of the Group are between 2.3% and 3.9% (1.7.2011: 2.3% and 3.9%) per annum.

23. Bank Borrowings

		Group	
	As at 31.12.2013 RM	**As at 30.6.2012 RM**	**As at 1.7.2011 RM**
Current			
Secured:			
Revolving credit	-	5,439,546	1,000,000
Term loan	-	15,097,569	4,716,938
	-	20,537,115	5,716,938

23. Bank Borrowings (cont'd)

	Group		
	As at 31.12.2013 RM	**As at 30.6.2012 RM**	**As at 1.7.2011 RM**
Unsecured:			
Term loan	-	20,000,000	20,000,000
	-	40,537,115	25,716,938
Non-current			
Secured:			
Revolving credit	-	-	4,439,546
Term loans	-	-	10,289,334
	-	-	14,728,880
Total borrowings:			
Secured:			
Revolving credit	-	5,439,546	5,439,546
Term loan	-	15,097,569	15,006,272
Unsecured:			
Term loan	-	20,000,000	20,000,000
	-	40,537,115	40,445,818

The secured term loans and revolving credit are secured and supported by the following:

(a) legal charges over certain landed properties of a subsidiary;
(b) corporate guarantee by the Company; and
(c) fixed and floating charges over all present and future assets of a subsidiary.

The weighted average effective interest rate is as follows:

	Group		
	As at 31.12.2013	**As at 30.6.2012 % per annum**	**As at 1.7.2011**
Revolving credit	-	8.30 - 8.60	8.30 - 8.60
Term loans	-	8.30 - 8.60	8.30 - 8.60

The unsecured term loan is in connection with the Primary CLO involving the sale, transfer and assignment of Transferred Assets by the lender as vendor to the issuer as purchaser to issue asset-backed securities, namely the Bonds as disclosed in Note 11.

The purpose of this facility is for working capital and general corporate purposes. The Primary CLO is repayable in one lump sum on the maturity date with a fixed interest rate of 7.05% per annum. The interest is repayable every 6 months.

The tenor of this facility is for 5 years which had expired on 10 October 2011.

23. Bank Borrowings (cont'd)

In the previous financial years, the Company had secured a consent from the issuer to settle the Primary CLO of RM35,000,000 via the following exercises:-

(a) issuance of 100,000,000 units of Irredeemable Convertible Preference Shares ("ICPS") at an issue price of RM0.20 per unit by the Company on behalf of the subsidiary;
(b) issuance of 25,000,000 detachable Warrants issued to the issuer at no cost on the basis of one Warrant for four ICPS by the Company on behalf of the subsidiary;
(c) the subsidiary shall surrender the RM3,500,000 subordinated bonds to the issuer at no costs; and
(d) all outstanding and future interest obligation under the CLO by the subsidiary shall be waived.

The above exercises were completed on 2 December 2013.

24. Trade Payables

The normal trade credit term granted to the Group ranges from 30 to 120 days (30.6.2012: 14 to 120 days; 1.7.2011: 30 to 120 days).

25. Other Payables and Accruals

		Group	
	As at 31.12.2013 RM	**As at 30.6.2012 RM**	**As at 1.7.2011 RM**
Deposits	-	-	648,415
Other payables	3,147,573	1,461,450	888,610
Accruals	736,740	3,231,366	80,129
	3,884,313	4,692,816	1,617,154

Other payables included loans from a third party and a shareholder of a subsidiary amounted to RM1,400,000 and RM300,000 respectively. These amounts are unsecured, interest free and no fixed term of repayment.

		Company	
	As at 31.12.2013 RM	**As at 30.6.2012 RM**	**As at 1.7.2011 RM**
Other payables	54,151	106,799	63,559
Accruals	314,831	578,451	77,129
	368,982	685,250	140,688

Included in accruals is an amount of RM161,605 (2012: RM435,878) being accrued for directors' remuneration.

26. Amount Due to a Subsidiary

This amount is non-trade in nature, unsecured, interest free, repayable and expected to be settled in cash.

27. Related Party Disclosures

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related 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:

	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Company		
Settlement of liabilities on behalf of a subsidiary		
- Amshore Holdings Sdn. Bhd.	48,848,793	463,383
Group		
Advances from a shareholder of a subsidiary	300,000	-

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Note 16, 25 and 26.

(c) Compensation of key management personnel

Key management personnel include 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 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM	Period from 1.7.2012 to 31.12.2013 RM	Year ended 30.6.2012 RM
Non-executive directors' fees	108,000	75,000	108,000	75,000
Short-term employee benefits	303,000	704,056	303,000	649,746
Post-employment benefits	104,400	73,440	104,400	66,960
	515,400	852,496	515,400	791,706

28. 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 31.12.2013		
Financial assets		
Trade receivables	2,272,205	2,272,205
Other receivables and deposits	188,827	188,827
Deposits with a licensed bank	345,366	345,366
Cash and bank balances	2,276,601	2,276,601
	5,082,999	5,082,999

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Trade payables	903,278	903,278
Other payables and accruals	3,884,313	3,884,313
ICPS - Liability component	515,419	515,419
	5,303,010	5,303,010

	Loans and receivables RM	Total RM
Group		
As at 30.6.2012		
Financial assets		
Trade receivables	3,411,166	3,411,166
Other receivables and deposits	9,694,730	9,694,730
Deposits with a licensed bank	328,229	328,229
Cash and bank balances	153,148	153,148
	13,587,273	13,587,273

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Trade payables	4,747,605	4,747,605
Other payables and accruals	4,692,816	4,692,816
Finance lease payables	4,691	4,691
Bank borrowings	40,537,115	40,537,115
	49,982,227	49,982,227

28. 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**
Group		
As at 1.7.2011		
Financial assets		
Trade receivables	2,732,688	2,732,688
Other receivables and deposits	9,725,885	9,725,885
Deposits with a licensed bank	428,463	428,463
Cash and bank balances	118,388	118,388
	13,005,424	13,005,424

	Financial liabilities at amortised cost RM	**Total RM**
Financial liabilities		
Trade payables	1,713,268	1,713,268
Other payables and accruals	1,617,154	1,617,154
Finance lease payables	112,428	112,428
Bank borrowings	40,445,818	40,445,818
	43,888,668	43,888,668

	Loans and receivables RM	**Total RM**
Company		
As at 31.12.2013		
Financial assets		
Other receivables and deposits	10,434	10,434
Cash and bank balances	1,138	1,138
	11,572	11,572

	Financial liabilities at amortised cost RM	**Total RM**
Financial liabilities		
Other payables and accruals	368,982	368,982
Amount due to a subsidiary	3	3
	368,985	368,985

28. 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 30.6.2012		
Financial assets		
Other receivables and deposits	534	534
Amount due from subsidiaries	2,962,640	2,962,640
Cash and bank balances	462	462
	2,963,636	2,963,636

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Other payables and accruals	685,250	685,250

	Loans and receivables RM	Total RM
Company		
As at 1.7.2011		
Financial assets		
Amount due from subsidiaries	8,358,071	8,358,071
Cash and bank balances	7,901	7,901
	8,365,972	8,365,972

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Other payables and accruals	140,688	140,688

29. 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.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary as mentioned in the Note 23.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RMnil (30.6.2012: RM20,537,115; 1.7.2011: RM20,445,818) representing the outstanding banking facilities at the reporting date.

The financial guarantee has not been recognised as the fair value on initial recognition since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiary's borrowings in view of the security pledged by the subsidiary and it is unlikely the subsidiary will default within the guarantee period.

(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 balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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.

29. Financial Risk Management Objectives and Policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturity

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

	Carrying amount RM	Contractual cash flows RM	On demand and within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
As at 31.12.2013						
Group						
Financial Liabilities:						
Trade payables	903,278	903,278	903,278	-	-	-
Other payables and accruals	3,884,313	3,884,313	3,884,313	-	-	-
ICPS coupon	-	600,000	200,000	400,000	-	-
	4,787,591	5,387,591	4,987,591	400,000	-	-

	Carrying amount RM	Contractual cash flows RM	On demand and within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
Company						
Financial Liability:						
Other payables and accruals	368,982	368,982	368,982	-	-	-
Amount due to a subsidiary	3	3	3	-	-	-
	368,985	368,985	368,985	-	-	-

	Carrying amount RM	Contractual cash flows RM	On demand and within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
As at 30.6.2012						
Group						
Financial Liabilities:						
Trade payables	4,747,605	4,747,605	4,747,605	-	-	-
Other payables and accruals	4,692,816	4,692,816	4,692,816	-	-	-
Revolving credit	5,439,546	5,439,546	5,439,546	-	-	-
Finance lease payables	4,691	4,742	4,742	-	-	-
Term loans	35,097,569	35,097,569	35,097,569	-	-	-
	49,982,227	49,982,278	49,982,278	-	-	-
Company						
Financial Liability:						
Other payables and accruals	685,250	685,250	685,250	-	-	-

29. Financial Risk Management Objectives and Policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturity (cont'd)

	Carrying amount RM	Contractual cash flows RM	On demand and within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
As at 1.7.2011						
Group						
Financial Liabilities:						
Trade payables	1,713,268	1,713,268	1,713,268	-	-	-
Other payables and accruals	1,617,154	1,617,154	1,617,154	-	-	-
Revolving credit	1,000,000	1,000,000	1,000,000	-	-	-
Finance lease payables	112,428	114,965	114,965	-	-	-
Term loans	44,716,938	44,716,938	24,716,938	-	-	-
	49,159,788	49,162,325	49,162,325	-	-	-
Company						
Financial Liability:						
Other payables and accruals	140,688	140,688	140,688	-	-	-

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its bank borrowings.

Bank borrowings at floating rate amounting to RMnil (30.6.2012: RM40,537,115; 1.7.2011: RM40,455,818) expose the Group to cash flow interest rate risk whilst finance lease at fixed rate amounting to RMnil (30.6.2012: RM4,691; 1.7.2011: RM112,428), expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure by maintaining a mix of fixed and floating rate loans and borrowings.

Sensitivity analysis for interest rate risk
If the interest rate had been 100 (30.6.2012: 100; 1.7.2011: 100) basis points higher/lower and all other variables were held constant, the Group's loss net of tax ended 31 December 2013 would increase/decrease by RMnil (30.6.2012: RM304,028; 1.7.2011: RM303,343) as a result of exposure to floating rate borrowings.

(d) 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. At the reporting date, such foreign currency balances (in SGD) amount to RM64,857 (30.6.2012: RM3,034; 1.7.2011: RM38,792) for the Group.

29. Financial Risk Management Objectives and Policies (cont'd)

(d) Foreign currency risk (cont'd)

Financial assets denominated in SGD are as follow:

	As at 31.12.2013 RM	Group As at 30.6.2012 RM	As at 1.7.2011 RM
SGD			
Trade receivables	1,927,096	712,346	1,489,448
Cash and bank balances	64,857	3,034	38,792
	1,991,953	715,380	1,528,240

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.

		As at 31.12.2013 RM	Group As at 30.6.2012 RM	As at 1.7.2011 RM
SGD/RM -	strengthened 5% (30.6.2012: 5%; 1.7.2011: 5%)	74,698	26,827	57,309
	- weakened 5% (30.6.2012: 5%; 1.7.2011: 5%)	(74,698)	(26,827)	(57,309)

30. Fair Value of Financial Instruments

(a) Fair value of financial instruments

The carrying amount and fair value of financial instruments, other than these carrying amounts are reasonable approximation of fair values area 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.

(ii) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amount and fair value of financial instruments, other than those carrying amounts are reasonable approximation of fair values are as follows:-

30. Fair Value of Financial Instruments (cont'd)

(a) Fair value of financial instruments (cont'd)

(ii) Borrowings (cont'd)

	Carrying Amount RM	Fair Value RM
Group		
As at 31.12.2013		
Financial liabilities		
ICPS - liability component	515,419	515,419

As at 30.6.2012 - nil

(b) Fair value measurements

As at 31 December 2013, the Company held the following financial instruments for which fair value is disclosed in the financial statements:

		Fair value measurement using		
As at 31.12.2013	**Amount RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**
ICPS - liability component	515,419	-	515,419	-

As at 30.6.2012 - nil

There is no transfer between Level 1 and Level 2 of the fair value measurement hierarchy.

31. 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 31 December 2013 and 30 June 2012.

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.

	Group	
	As at 31.12.2013	**As at 30.6.2012**
Borrowings (RM)	-	40,537,115
Finance lease payables (RM)	-	4,691
Less: Cash and bank balances (RM)	(2,276,601)	(153,148)
Net borrowings (RM)	(2,276,601)	40,388,658
Equity attributable to owners of the Company (RM)	44,419,205	13,235,834
Gearing ratio %	n.m.	3

n.m. – not meaningful

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

32. 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.

(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 revenue are as follows:

	Period from 1.7.2012 to 31.12.2013 RM	**Year ended 30.6.2012 RM**
Major customers		
- Customer A	3,756,002	1,415,013
- Customer B	3,211,656	-
- Customer C	2,601,800	1,443,342
- Customer D	1,590,304	-

33. Material Litigation

The Group have not engaged in any material litigation which will have a material effect on the business or financial position of the Group except for the following:

(a) Morning Valley Sdn. Bhd. ("MVSB")

MVSB entered into a Sale and Purchase Agreement for a piece of land and MVSB paid a deposit of RM3,000,000 to AQRS The Building Company Sdn. Bhd. ("AQRS"). Since then, the Sale & Purchase Agreement has been mutually terminated by both parties. However, AQRS to date has failed to refund the said deposit of RM3,000,000 to MVSB.

As a result of which MVSB and its shareholders, the Company and Datuk Seri Krishna Kumar ("DSKK") has entered a private caveat on the piece of land. AQRS has filed a suit to obtain an order to remove the private caveat. The matters are still ongoing. MVSB and the Company are currently in the midst of instituting a civil suit against AQRS for the recovery of the said deposit of RM3,000,000. On 2 November 2010, the Shah Alam High Court ("the Court") ordered the private caveat by DSKK be removed and granted AQRS a permanent injunction to restrain any further caveat on the particular land by MVSB, the Company and DSKK.

On 9 September 2011, AQRS filed an application to strike out the case and the Court directed both parties to exhaust with the exchange of affidavits on or before 21 November 2011. The Court further scheduled the case management on 28 September 2012. The stay application for hearing scheduled on 7 September 2012 was later adjourned to 7 November 2012.

33. Material Litigation (cont'd)

(b) Amshore Holdings Sdn. Bhd. ("AHSB")

On 3 July 2009, AHSB made a claim against Ong Chong Yong (trading under the name and style of "Century Machinery") for a sum of USD1,500,000. The said sum of USD1,500,000 was paid by AHSB to Century Machinery under a Sales Contract dated 1 November 2006 but the Sales Contract was however subsequently repudiated by Century Machinery. The suit is for the claim of the said sum of USD1,500,000.

On 1 April 2011, an order was made by the Honourable Judicial Commissioner whereby Century Machinery was instructed to pay the sum of USD860,106 to AHSB and the balance from the total claim of USD1,500,000 to be disposed of at trial once AHSB decide to proceed with full trial.

On 13 June 2011, Century Machinery filed an application for a stay of execution of the aforesaid judgement on 1 April 2011. The stay application was fixed for hearing on 5 October 2011 and later adjourned to 1 November 2011. Subsequently, the stay application was dismissed by the Court.

During the financial period, Century Machinery paid RM700,000 as part settlement of the judgement sum.

The legal counsels of both cases have advised the Group that in view of the lengthy legal proceedings and the apparent complexity of the cases, it is to the best interest for the Group to stop pursuing the suits against the parties. After due considerations, the Group has decided to terminate all legal works with immediate effect.

34. Significant Events During The Financial Period

The Company had on 8 February 2013 submitted to Bursa Malaysia Securities Berhad a proposed corporate exercise in relation to:

i) Issuance of 40,360,000 new ordinary shares for settlement of debt owing to creditors of the Company and its subsidiaries, namely Idaman Capital Berhad, Bank Kerjasama Rakyat Malaysia Berhad and identified trade and non-trade creditors;

ii) Private placement of 115,000,000 new ordinary shares of RM0.20 each, representing 32.4% of the enlarged issued and paid-up share capital of the Company upon implementation of the proposal;

iii) Proposed issuance of 100,000,000 Irredeemable Convertible Preference Shares ("ICPS") with 25,000,000 detachable Warrants to the unsecured lender; and

iv) Proposed amendments to the Memorandum and Articles of Association of the Company to facilitate (i), (ii) and (iii) above.

The above-mentioned proposed corporate exercise was completed during the financial period.

35. Significant Events Subsequent to the End of the Financial Period

Subsequent to the end of the financial period,

(a) the Company had on 13 January 2014 announced the completion of conversion of 100.0 million Irredeemable Convertible Preference Shares ("ICPS") of RM0.20 each to 100,000,000 ordinary shares of RM0.20 each. The new ordinary shares were listed on Bursa Malaysia Securities Berhad on 15 January 2014 and hence, it resulted in an increase of issued and paid-up capital of the Company from 355,360,000 to 455,360,000;

(b) the Company had on 19 February 2014 announced the acquisition of 100% equity interest in Sinaran Strategik Sdn. Bhd. ("Sinaran") for a total cash consideration of RM2, and hence, Sinaran became a wholly-owned subsidiary of the Company and subsequently changed its name to Al Maurid Oil & Gas Sdn. Bhd.; and

35. Significant Events Subsequent to the End of the Financial Period (cont'd)

Subsequent to the end of the financial period, (cont'd)

(c) the Company had on 4 March 2014 announced the proposed private placement of up to 48,036,000 new ordinary shares of RM0.20 each, representing up to 10% of the issued and paid-up share capital of the Company. The proposal has not been completed as of the date of authorisation of these financial statements.

36. Contingent Liability

	Group	
	As at 31.12.2013 RM	**As at 30.6.2012 RM**
Waiver of debt and accrued interest for the Primary CLO upon fulfillment of conditions as stipulated in the Settlement Agreement as disclosed in Note 23	-	19,962,041

37. Comparative Figures

The financial period of the Group and of the Company were changed from 30 June to 31 December. Accordingly, 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 July 2012 to 31 December 2013. 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

The following analysis of realised and unrealised accumulated losses of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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

	Group		**Company**	
	As at 31.12.2013 RM	**As at 30.6.2012 RM (restated)**	**As at 31.12.2013 RM**	**As at 30.6.2012 RM**
Total accumulated losses of the Company and its subsidiaries				
- realised	(62,941,799)	(44,694,801)	(55,081,199)	(29,423,335)
- unrealised	42,597	3,362,838	-	-
	(62,899,202)	(41,331,963)	(55,081,199)	(29,423,335)
Add: Consolidation adjustments	12,002,714	11,714,492	-	-
Total accumulated losses	(50,896,488)	(29,617,471)	(55,081,199)	(29,423,335)

The disclosure of realised and unrealised profits 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 31 December 2013

Location	Description	Existing Use	Tenure / Expiry of Lease	Approx age of Building	Unit / Acreage	Major encumberances	Net book value as at 31/12/2013 (RM'000)
Amshore Head Office, Main Factory, Warehouse 1A, 1A-1, 1A-2, Jalan Kampung Sungai Suloh, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor Darul Takzim. H.S.(M) 1476 PTD 2138, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Medium industrial building	Processing & manufacturing full-automated bottled RO water	Freehold	Less than 10 years	256,220 sq ft/ 84,550 sq ft	-	13,170
Amshore Factory No. 1, Jalan Budi Tengah, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor Darul Takzim. Geran 119490 Lot 8351, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Light industrial building	Processing & manufacturing semi-automated bottled RO water	Freehold	Less than 15 years	13,455 sq ft / 5,400 sq ft	-	1,146
Amshore Factory No. 2, No.3, Jalan Budi Tengah, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor Darul Takzim. Geran 119491 Lot 8352, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Light industrial building	Warehouse	Freehold	Less than 15 years	20,139 sq ft / 4,800 sq ft	-	363

Revaluation Policy

Landed Properties were appraised at least 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 lands were revalued by the Directors based on a valuation carried out by an independent firm of professional valuers in 2011 on market value basis.

Analysis of Shareholdings
– 27 May 2014

Authorised capital	:	RM250,000,000 divided into 1,150,000,000 ordinary shares of RM0.20 each and 100,000,000 irredeemable convertible preference shares of RM0.20 each
Issued and fully paid-up capital	:	455,360,000 ordinary shares of RM0.20 each
Voting rights	:	One vote for one ordinary share

Distribution of Shareholdings

Category	No. of Holders	%	No. of Shares	%
Less than 100	11	0.41	533	0.00
100 - 1,000	254	9.60	201,000	0.04
1,001 - 10,000	763	28.85	4,781,250	1.05
10,001 - 100,000	1,173	44.35	55,136,300	12.11
100,001 to less than 5% of issued shares	442	16.71	270,240,917	59.35
5% and above of issued shares	2	0.08	125,000,000	27.45
TOTAL	**2,645**	**100.00**	**455,360,000**	**100.00**

Thirty (30) largest Shareholders

	Name Of Shareholder	No of Shares	%
1	Al Maurid Resources Sdn Bhd	100,000,000	21.96
2	True Profit Holdings Limited	25,000,000	5.49
3	Sure Talent Holdings Limited	17,857,100	3.92
4	Rahmah Binti Abdul Rahim	17,225,000	3.78
5	Chan Kooi Cheng	10,800,000	2.37
6	Maybank Nominees (Tempatan) Sdn Bhd Chua Kim Seng	6,988,600	1.53
7	Chong Hong Jong	6,456,000	1.42
8	Alliance Group Nominees (Tempatan) Sdn Bhd Chua Kim Seng	4,745,000	1.04
9	Teoh Teik Soon	3,635,000	0.80
10	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Ting Lian	3,439,000	0.76
11	Tan Ai Luang	3,412,400	0.75
12	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hamzah bin Mohd Salleh	3,355,317	0.74
13	Toh Tian Hwa	3,250,000	0.71
14	HDM Nominees (Tempatan) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for Teo Han Tong	3,000,000	0.66
15	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khairil Annuar bin Mohd Said	2,921,000	0.64

Thirty (30) largest Shareholders		No	
	Name Of Shareholder	of Shares	%
16	Yong Kit Fai	2,875,000	0.63
17	Teo Kian Chye	2,700,000	0.59
18	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Cheng Chai	2,500,000	0.55
19	Corporate Advisory and Re-Engineering Servicees Sdn Bhd	2,274,100	0.50
20	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kok Seng	2,270,000	0.50
21	Inter-Pacific Equity Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Chong Yun Cheun	2,208,100	0.48
22	Ismail Bin Kadir	2,100,000	0.46
23	Teo Keong Bin	2,100,000	0.46
24	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Koh Kin Lip	2,000,000	0.44
25	Tan Teck Boo	1,930,300	0.42
26	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Li See	1,903,800	0.42
27	Lim Swee Thiam	1,662,700	0.37
28	Teo Zon San	1,637,600	0.36
29	Koh Keng Chong	1,631,100	0.36
30	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Tan Yeong Kuan	1,550,000	0.34

	No of Shares Held		
Name of Substantial Shareholders	**Direct**	**Indirect**	**%**
Al Maurid Resources Sdn Bhd	100,000,000	-	21.96
True Profit Holdings Limited	25,000,000	-	5.49

	No of Shares Held		
Name of Substantial Director	**Direct**	**Indirect**	**%**
Wong Kok Seong	10,000	-	0.00
Auzir Bin Mohd Yaacob	10,000	-	0.00
Assoc. Prof. Dr. Mohd Amy Azhar Bin Hj. Mohd Harif	-	-	0.00
Yang Chin Kar *(*Resigned on 28 February 2014)*	-	-	0.00
Lee Choong Choy *(*Resigned on 28 February 2014)*	-	-	0.00
Shahrizal Hisham Bin Abdul Halim *(*Appointed on 1 March 2014)*	-	-	0.00

NOTICE TO ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of Bio Osmo Berhad will be held at Banyan Room, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 30 June 2014 at 5.00 p.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 31 December 2013 together with the Directors' and Auditors' Report thereon. **(Please refer to Explanatory Note A)**

2. To approve the payment of Directors' Fees of RM108,000.00 for the financial period ended 31 December 2013. **RESOLUTION 1**

3. To re-elect Mr Wong Kok Seong who retire 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-elect En Shahrizal Hisham bin Abdul Halim who retire in accordance with Article 132 of the Company's Articles of Association and being eligible, offers himself for re-election. **RESOLUTION 3**

5. To re-appoint Messrs Baker Tilly MH as the Auditors of the Company and to authorise the Directors to fix their remuneration. **RESOLUTION 4**

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolution:

   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 5

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 (MAICSA NO. 7011254)
KHOO WEI LEE (MAICSA NO. 7063165)
Company Secretaries

Kuala Lumpur
Date: 6 June 2014

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.

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 NOTE TO SPECIAL BUSINESS

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.

On 29 November 2013, the Company issued 115,000,000 new ordinary shares of Bio Osmo of RM0.20 each representing 32.4% of the enlarged issued and paid-up share capital of Bio Osmo of 355,360,000 of RM0.20 each.

On 4 March 2014, the Company announced a proposal to undertake a private placement of up to 48,036,000 new ordinary shares of RM0.20 each representing up to 10% of the issued and paid-up share capital of the Company.

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.

STATEMENT ACCOMPANYING NOTICE OF 7TH ANNUAL GENERAL MEETING
(pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There is no individual who is seeking for election as a Director (excluding directors standing for a re-election).

FORM OF PROXY

BIO OSMO BERHAD
(740838-A)
Incorporated In Malaysia

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 ______________________________

____

as my/our proxy to vote for *me/us and on *my/our behalf at the **Seventh Annual General Meeting** of the Company to be held at **Banyan Room, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur** on Monday, 30 June 2014 at 5.00 p.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 RM108,000.00 for the financial period ended 31 December 2013.	1		
To re-elect Mr Wong Kok Seong who retire in accordance with Article 127 of the Company's Articles of Association.	2		
To re-elect En Shahrizal Hisham bin Abdul Halim who retire in accordance with Article 132 of the Company's Articles of Association and being eligible, offers himself for re-election	3		
To appoint Messrs Baker Tilly Monteiro Heng as Auditor of the Companyforthe ensuing year and to authorise the Board of Directors to fix their remuneration.	4		
To authorise the allotment of shares pursuant to Section 132D.	5		

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 ______________ 2014

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.
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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 Registered Office of the Company, 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.

FOLD THIS FLAP FOR SEALING

AFFIX
STAMP

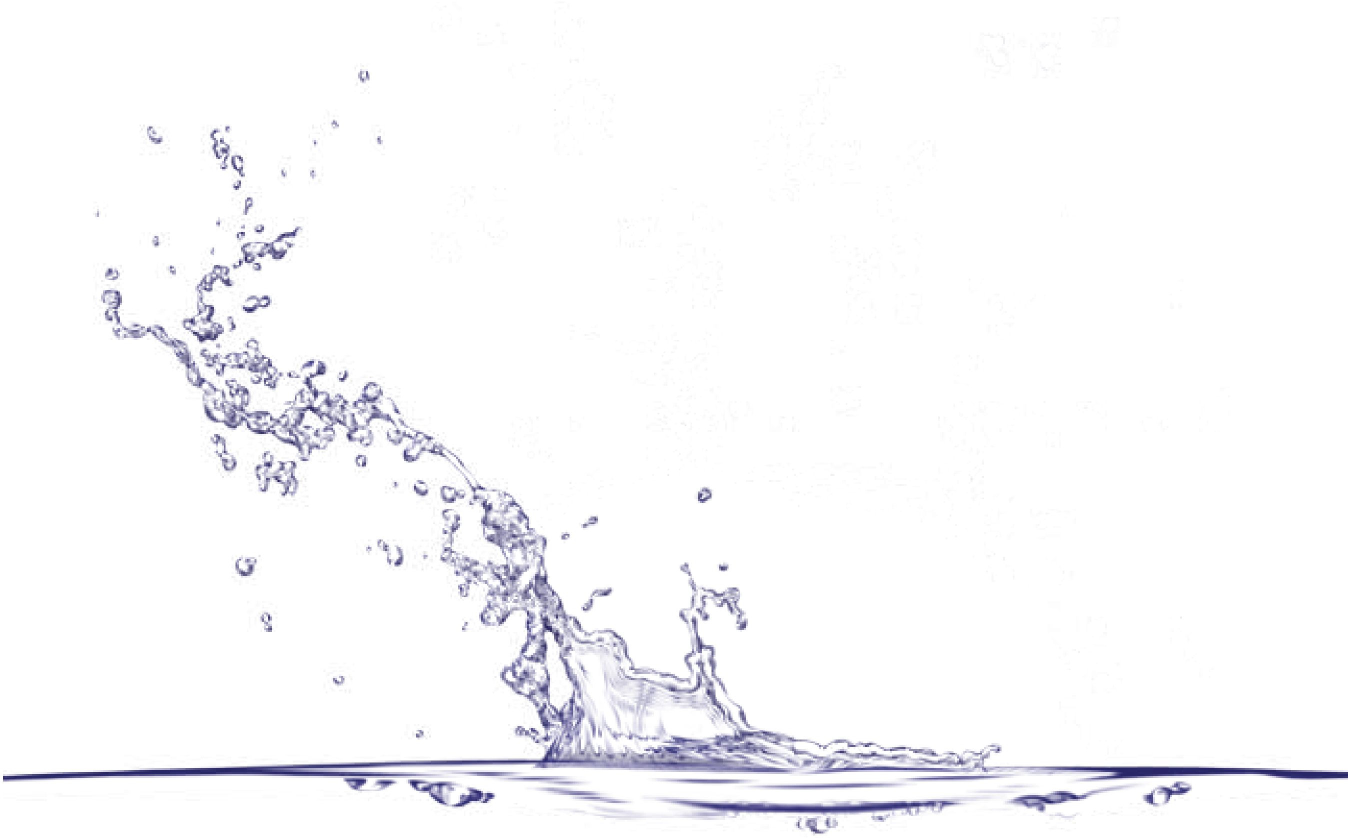
The Company Secretary

BIO OSMO BERHAD (740838-A)

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

2ND FOLD HERE

1ST FOLD HERE



BIO OSMO BERHAD **(740838-A)**
No.1A, Jalan Kampung Sungai Suloh,
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