10. APPROVALS AND CONDITIONS

10.1 APPROVALS AND CONDITIONS FOR THE FLOTATION SCHEME

The following approvals have been obtained for the Flotation Scheme:

(i) the approval of the SC on 9 May 2007, 2 July 2007 and 18 October 2007 under the Policies and Guidelines on Issue/Offer of Securities issued by the SC and the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests issued by FIC.

(ii) the approval of the MITI on 18 April 2007, 2 July 2007 and 24 October 2007 in relation to the following:

(a) the Flotation Scheme; and

(b) the recognition of the Bumiputera shareholders of Bio Osmo (namely PNS, Encik Mustafa bin Ibrahim, Dato' Hamzah bin Mohd Salleh and Puan Selina binti Yeop Junior @ Lope) as approved Bumiputera investors in our Company and their respective shareholdings in Bio Osmo are approved as Bumiputera shareholdings in our Company.

(iii) the approval-in-principle of Securities Exchange on 7 November 2007 for the admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company of RM40,000,000 comprising 200,000,000 Shares on the Second Board of Securities Exchange.

In addition to the above, the SC has also *vide* its letter dated 9 November 2007 granted Bio Osmo an extension of time for 3 months up to 8 February 2008 for Bio Osmo to implement the Flotation Scheme.

The conditions imposed by MITI and the SC and their respective status of compliance are set out below:

	Authority / details of conditions imposed	Status of compliance
	Conditions imposed by MITI *vide* its letters dated 18 April 2007, 2 July 2007 and 24 October 2007	
i)	To obtain the SC's approval for the Flotation Scheme, the revisions to the Flotation Scheme and to comply with the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests;	Complied. The approvals from the SC were obtained on 9 May 2007, 2 July 2007 and 18 October 2007.
ii)	The Listing is to be scheduled after 31 July 2007, after the approved Bumiputera investors comply with the recognition criteria, which requires the Bumiputera shareholders to have held their Shares in our Company for at least 6 months from the date the Shares were acquired (31 January 2007);	Complied.
iii)	Approval of the MITI is required for the sale/ transfer of the recognised Bumiputera shareholdings. Nevertheless, the sale/transfer of up to 30% of the said total recognised Bumiputera shareholdings is allowed without prior approval from the MITI;	Noted. To be observed by the respective recognised Bumiputera shareholders.
iv)	The allocation of 10,027,700 Shares (comprising 2,000,000 Issue Shares and 8,027,700 Offer Shares) or 5.01% of our enlarged issued and paid-up capital to Bumiputera investors, is subject to the MITI's approval, where the allocation of such shares will be decided separately after the SC's approval has been obtained; and	Complied. The approval of MITI was obtained on 15 August 2007.

Authority / details of conditions imposed	Status of compliance
v) Bio Osmo is required to inform the MITI of the shareholdings of the recognised Bumiputera investors, 6 months after Bio Osmo is listed for the purpose of surveillance.	Noted. Will be complied with.
Conditions imposed by the SC *vide* its letters dated 9 May 2007, 2 July 2007 and 18 October 2007	
i) Bio Osmo's audited PAT for its financial year ending 30 June 2007 should not be more than 10% negative deviation from its forecast PAT for the same financial year as submitted in its listing application to the SC, prior to the issuance of Bio Osmo's listing prospectus;	Complied. Our Group's audited PAT for the FYE 30 June 2007 does not deviate by more than 10% from the original forecast consolidated PAT submitted to the SC.
ii) As soon as practicable after the placement and prior to the listing of Bio Osmo, Alliance must submit to the SC the following: (a) The final list (broken down to each placement agent) setting out the names, home/business addresses, identity card/ passport/ company registration numbers, occupations/ principal activities and CDS account numbers of all the placees and the ultimate beneficial owners of the securities placed (in case where the placees are nominee companies or funds), and the amount and price of securities placed with each placee; and (b) A confirmation from Alliance that to the best of its knowledge and belief, after having taken all reasonable steps and made all reasonable enquiries, the details set out in the final list of placees in subparagraph (a) above are accurate and the placement exercise complies with the requirements on placement as stated in Guidance Note 6D of SC's Policies and Guidelines on Issue/Offer of Securities.	Will be complied with. Alliance will provide the SC with the required information/ confirmation prior to the listing of Bio Osmo.
iii) Moratorium of the sale of Bio Osmo shares for 1 year from the listing date should be imposed on the following shareholders:	Will be complied with.

Shareholders	Balance of Shares held after the Offer for Sale	No of Shares under Moratorium	% of share capital
Estate of the Founder	85,339,021	57,352,848	28.68
Chong Kim Chan	15,149,374	14,739,374	7.37
PNS	41,566,624	17,907,778 [1]	8.95
	142,055,019	**90,000,000**	**45.00**

iv) Bio Osmo to comply with the National Development Policy (NDP) requirement whereby Bumiputera investors holding 60,055,630 Shares (via Encik Mustafa bin Ibrahim, Dato' Hamzah bin Mohd Salleh, Puan Selina binti Yeop Junior @ Lope, PNS, 2,000,000 Issue Shares and 8,027,700 Offer Shares) upon listing to be recognised/ approved by MITI;	Complied. MITI has *vide* its letters dated 18 April 2007 and 15 August 2007 recognised the Bumiputera investors in Bio Osmo.

10. APPROVALS AND CONDITIONS *(Cont'd)*

Authority / details of conditions imposed		Status of compliance
v)	Alliance/Bio Osmo to inform the SC the status of compliance with the NDP requirement upon completion of the listing exercise;	Will be complied with.
vi)	Alliance/Bio Osmo to fully comply with the relevant requirements pertaining to the implementation of the above proposal as stipulated in the Issues Guidelines;	Will be complied with.
vii)	Alliance/Bio Osmo to inform the SC upon completion of the proposal; and	Will be complied with.
viii)	Bio Osmo to put the proceeds from its offer for sale in a trust account until the listing of Bio Osmo Shares on the Securities Exchange.	Will be complied with, if relevant.
ix)	Bio Osmo to disclose in its listing prospectus the steps/ measures it has taken/ will be taken for the smooth succession of management after Mr. Lim Tian Chai's death in order to address/ mitigate the associated risks.	Complied. Please refer to Section 9.3.5 of this Prospectus.

The SC also noted *vide* its letter dated 9 May 2007, the equity structure relating to Bumiputera, non-Bumputera and foreign shareholdings in our Company arising from the implementation of the Flotation Scheme is as follows:

	Before Flotation Scheme	After Flotation Scheme
Bumiputera	0.00%	30.03%[(2)]
Non-Bumiputera	100.00%	69.97%
Foreigners	0.00%	0.00%
Total	**100.00%**	**100.00%**

Notes:

(1) *Pursuant to Chapter 6.24 of the SC's Policies and Guidelines on Issue/Offer of Securities, every shareholder of PNS or ultimate individual shareholder (if the shareholder of PNS is another unlisted company), must give an undertaking that he/she will not sell, transfer or assign his/her shareholding in PNS within 1 year from the date of admission of Bio Osmo to the Official List of the Second Board of Securities Exchange.*

On behalf of Bio Osmo, Alliance had sought an exemption from the SC to exempt PNS from having to procure undertakings from each of its shareholders and ultimate shareholders, where required. The SC has granted the exemption vide its letter dated 18 October 2007.

(2) *Subject to MITI's approval.*

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10. APPROVALS AND CONDITIONS *(Cont'd)*

10.2 MORATORIUM ON SHARES

Pursuant to Section 6.24 of the SC's Policies and Guidelines on Issue/Offer of Securities, a moratorium shall be placed on the sale of 90,000,000 Shares held by the following shareholders, representing 45% of the enlarged issued and paid-up capital of Bio Osmo after the IPO:

	Shareholdings after the IPO		Shareholdings under moratorium	
Shareholders	**No. of Shares**	**% of enlarged issued and paid-up share capital**	**No. of Shares**	**% of enlarged issued and paid-up share capital**
Estate of the Founder	85,339,021	42.67	57,352,848	28.68
Chong Kim Chan	15,149,374^	7.57	14,739,374	7.37
PNS	41,566,624	20.78	17,907,778	8.95
	142,055,019	71.02	90,000,000	45.00

Note:

^ *Assuming full subscription of his allocation of pink form shares pursuant to the Public Issue.*

The aforesaid shareholders are not allowed to sell, transfer or assign their shareholdings in Bio Osmo which are placed under moratorium within 1 year from the date of admission of Bio Osmo to the Official List of the Second Board of Securities Exchange.

The restriction, which has been fully accepted by the shareholders, is specifically endorsed on the notices of allotment representing the shareholdings of the aforesaid shareholders which are under moratorium.

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11. RELATED-PARTY TRANSACTIONS AND CONFLICTS OF INTERESTS

11.1 RELATED-PARTY TRANSACTIONS AND CONFLICTS OF INTERESTS WITH OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

11.1.1 Related-Party Transactions and Conflict of Interest

There are no existing or proposed related-party transactions and conflicts of interest between our Company and/or our Group and our Promoters, substantial shareholders, Directors, key management and/or key technical personnel and persons connected with our Promoters, substantial shareholders and our Directors during the past 3 financial years up to FYE 30 June 2007.

Nonetheless, our Board will ensure that all future related-party transactions (if any) are undertaken on an arm's length basis, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and are not prejudicial to our minority shareholders.

11.1.2 Transactions that are Unusual in their Nature or Conditions

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or our Group was a party during the past 3 financial years up to FYE 30 June 2007.

11.1.3 Loans Made by Our Group to or for the Benefit of Related Parties

Save as disclosed below, there are no outstanding loans, including guarantees of any kind, made by our Company or our Group to or for the benefit of related parties during the past 3 financial years up to FYE 30 June 2007:

Amshore had previously extended an advance amounted to RM44,000 to Amshore Nippon Resources (M) Sdn Bhd, a company related to the Founder, for general business purposes. The said advance was unsecured, interest-free and not subject to a fixed term of repayment. The outstanding amount of RM44,000 was repaid in full on 23 February 2006.

11.2 INTERESTS IN SIMILAR BUSINESS

None of our substantial shareholders and Directors or any persons connected with our substantial shareholders and Directors, has any interest, whether direct or indirect, in any business carrying on a similar trade as our Group.

11.3 PROMOTION OF MATERIAL ASSETS

Save for the Acquisition as disclosed in Section 6.4.1 of this Prospectus, none of our substantial shareholders and Directors or any persons connected with our substantial shareholders and Directors, has any interest, whether direct or indirect, in the promotion of or in any assets which have, within the past 3 financial years up to FYE 30 June 2007, been acquired by or disposed of by or leased to our Company or our subsidiary company, or are proposed to be acquired or disposed of by or leased to our Company or our subsidiary company.

11.4 DECLARATION BY EXPERTS

11.4.1 Alliance

On 19 September 2006, Amshore has participated in a primary collateralised loan obligations transaction ("CLO") arranged by Alliance. Under the CLO, Amshore was granted a RM35 million term loan facility ("Term Loan"), the details of which are set out below:

Type and Maximum Principal Amount of Facility	Prescribed Rate	Upfront Amount	Repayment Terms
Term loan facility of up to RM35,000,000	7.05% per annum	1.75% per annum	Final repayment date of 3 business days before the date falling 5 years from the date of advance of the facility

The aforesaid Term Loan with a pool of term loan facilities granted to certain other companies totalling RM800 million were sold, transferred or assigned to a special purpose vehicle, Idaman Capital Berhad ("Idaman Capital"), which subsequently issued RM800 million worth of bonds backed by these corporate loans ("Bonds"). The proceeds from the issue of the Bonds were utilised to fund the sale, transfer or assignments of the term loans (including the subject Term Loan).

As at 19 October2007, Alliance has subscribed to RM80 million of the Bonds issued by Idaman Capital, while Alliance Bank Berhad (being Alliance's immediate holding company) ("ABB") has subscribed to RM160 million of the Bonds.

In addition, Alliance Capital Asset Management Berhad ("ACAM"), a subsidiary company of Alliance, is appointed as the portfolio manager by Idaman Capital to perform certain monitoring and administrative functions in relation to the transferred assets or loan portfolio.

Notwithstanding the above, Alliance is of the view that Alliance's, ABB's and/or ACAM's involvement in the CLO as mentioned above will not give rise to a conflict of interest situation for Alliance to act as the Adviser, Underwriter and Placement Agent for the Flotation Scheme, based on the following:

(i) None of the IPO proceeds will be used by Amshore to repay the Term Loan;

(ii) The RM80 million Bonds held by Alliance is an asset item on the consolidated balance sheets of Alliance and represents approximately 3.2% of the audited consolidated total assets of Alliance as at 31 March 2007 of RM2,464.73 million;

(iii) The aggregate RM240 million Bonds held by Alliance and ABB represents approximately 0.9% of the audited consolidated total assets of ABB as at 31 March 2007 of RM26,355.59 million; and

(iv) As the Bonds are fully backed by an equivalent RM800 million worth of loan assets comprising the Term Loan and other corporate loans, only 4% (or RM10.5 million) of the total RM240 million Bonds held by Alliance and ABB were effectively backed by the RM35 million Term Loan granted to Amshore.

Save as disclosed above, Alliance does not have any equity interest in Bio Osmo or Amshore, or has it extended any loan to Bio Osmo or Amshore that could result in a conflict of interest situation in its capacity to act as the Adviser, Underwriter and Placement Agent to Bio Osmo for the Flotation Scheme.

11.4.2 Other advisers

Shamsir Jasani Grant Thornton confirms that there are no existing or potential interests or conflicts of interests in its capacity to act as Reporting Accountants for the Flotation Scheme.

Shui-Tai confirms that there are no existing or potential interests or conflicts of interests in its capacity to act as Solicitors for the Flotation Scheme.

Frost & Sullivan confirms that there are no existing or potential interests or conflicts of interests in its capacity to act as Independent Market Researcher for the Flotation Scheme.

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12. PROPERTIES

12.1 INFORMATION ON LAND AND BUILDINGS

The details of the land and buildings owned and leased by our Group as at the date of the Prospectus are set out below:

Registered owner/ Lessor	Postal address/ Location	Description/ Existing use	Approxi-mate age of building	Tenure/ Date of Expiry of Lease	Restrictions in interest	Land-use conditions	Major encumbrances	Date of Issuance of Certificate of Fitness	Land/ Built-up area (square feet)	Audited NBV @ 30 June 2007 (RM'000)
Amshore	No 1A, 1A-1, 1A-2 Jalan Kampung Sungai Suloh, Mukim Minyak Beku 83000 Batu Pahat Johor/H.S. (M) 1476 PTD 2138 Mukim Minyak Beku, Daerah Batu Pahat Johor.	Medium industrial building/ Processing and manufacturing of RO water	Less than 1 year	Freehold	Nil	The land must be used for medium industry for processing mineral water only and other purpose related to it and built in accordance with the plan approved by the local authorities. All pollutants from the activities must be channelled or disposed off to a place specified by the local authority. All policies and terms laid and enforced by the local authorities must be adhered to all the times.	Charged to UOB Bank (Malaysia) Berhad (No Perserahan 1320/2006 and 1321/2006)	19 December 2006	256,220 sq ft/ 84,550 sq ft	15,732

12. PROPERTIES *(Cont'd)*

Registered owner/ Lessor	Postal address/ Location	Description/ Existing use	Approxi-mate age of building	Tenure/ Date of Expiry of Lease	Restrictions in interest	Land-use conditions	Major encumbrances	Date of Issuance of Certificate of Fitness	Land/ Built-up area (square feet)	Audited NBV @ 30 June 2007 (RM'000)
Amshore	No 1, Jalan Budi Tengah, Taman Perindustrian Wawasan, Mukim Minyak Beku, 83000 Batu Pahat Johor/Geran 119490 Lot 8351 Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Light industrial building/ Processing and manufacturing of RO water	11 years	Freehold	The land specified in the title shall not be transferred in any way unless the factory building in the express conditions has been constructed in accordance with the plan approved by the local authorities.	The land must be used for light industry factory and other purposes related to it and built in accordance with the plan approved by the local authorities. All pollutants from the activities must be channelled or disposed off to a place specified by the local authorities. All policies and terms laid and enforced by the local authorities must be adhered to all the times.	Charged to UOB Bank (Malaysia) Berhad (No Perserahan 12629/2006) Charged to UOB (Malaysia) Berhad (No Perserahan 12630/2006)	17 October 1996	13,455 sq ft/ 5,400 sq ft	1,147
Amshore	No 3, Jalan Budi Tengah, Taman Perindustrian Wawasan, Mukim Minyak Beku, 83000 Batu Pahat Johor/Geran 119491 Lot 8352 Mukim Minyak Beku, Daerah Batu Pahat Johor	Light industrial building/ Warehouse	11 years	Freehold	The land specified in the title shall not be transferred in any way unless the factory building in the express conditions has been constructed in accordance with the plan approved by the local authorities.	The land must be used for light industry factory and other purposes related to it and built in accordance with the plan approved by the local authorities. All pollutants from the activities must be channelled or disposed off to a place specified by the local authorities.	Charged to UOB Bank (Malaysia) Berhad (No Perserahan 12629/2006) Charged to UOB (Malaysia) Berhad (No Perserahan 12630/2006)	17 October 1996	20,139 sq ft/ 4,800 sq ft	361

12. PROPERTIES *(Cont'd)*

Registered owner/ Lessor	Postal address/ Location	Description/ Existing use	Approxi-mate age of building	Tenure/ Date of Expiry of Lease	Restrictions in interest	Land-use conditions	Major encumbrances	Date of Issuance of Certificate of Fitness	Land/ Built-up area (square feet)	Audited NBV @ 30 June 2007 (RM'000)
						All policies and terms laid and enforced by the local authorities must be adhered to all the times.				
Amshore	H.S. (M) 1293 MLO 8855 Mukim Tanjong Sembrong, Daerah Batu Pahat, Johor. (1)	Agriculture/ Vacant land	Not applicable	Freehold	Nil	This land must be planted with palm oil only. The proprietor shall at all times take all steps to ensure that they comply with the relevant order by the land administrator from soil erosion.	Nil	Not applicable	261,359/ Not applicable	401
Amshore	GM 2656 Lot No. 10643, Mukim Tanjong Sembrong,, Daerah Batu Pahat, Johor. (2)	Agriculture/ Vacant land	Not applicable	Freehold	Nil	This land must be planted with palm oil only. The proprietor shall at all times take all steps to ensure that they comply with the relevant order by the land administrator from soil erosion.	Nil	Not applicable	313,230/ Not applicable	419

Notes:

(1) Amshore had on 23 January 2007 entered into a sale and purchase agreement with Mr. Tan Chee Teet and Mr. Tan Choon Jin for the purchase of this piece of land for a cash consideration of RM390,000.

(2) Amshore had on 16 March 2007 entered into a sale and purchase agreement with Mr. Tay Ka Hiang and Mr. Tay Yong Seng for the purchase of this piece of land for a cash consideration of RM402,680.

As at 19 October 2007, there are no breaches in land-use conditions in respect of the properties of our Group.

12. PROPERTIES *(Cont'd)*

12.2 INFORMATION ON PLANT AND EQUIPMENT

The details of the material plant and equipment of our Group as at the date of the Prospectus are set out below:

Description	Quantity	Capacity	NBV @ 30 June 2007 (RM'000)
Preform Machine	1	1.5 litre bottle – 80,000 pieces/ day 0.5 litre bottle – 130,000 pieces/ day	1,463
Injection Moulding Machine	1	350,000 pieces/ day	3,588
Rinsing, Filling and Capping Machine	2	1.5 litre bottle – 180 pieces/ minute 0.5 litre bottle – 350 pieces/ minute	3,484
Automatic PET Injection Blowing Machine	3	1.5 litre bottle – 160,000 pieces/ day 0.5 litre bottle – 250,000 pieces/ day	5,999
High-Speed PET Stretch Blow Moulding Machine	4	18,000 pieces/ hour	4,354
Well Water Treatment System	1	40,000 litre/ hour	3,766
Packing Machine	2	14 cartons/ minute	3,626
Fully Automated Plastic Cup, Filling and Sealing Machine	1	20,000 cups/ hour	2,090
Auto Shrink Labelling Machine	2	1.5 litre bottle – 180 pieces/ minute 0.5 litre bottle – 350 pieces/ minute	1,584

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13. PROFORMA HISTORICAL FINANCIAL INFORMATION

The following sections set out the summary of our proforma consolidated income statements for each of the FYE 30 June 2005, 2006 and 2007, our proforma consolidated balance sheets as at 30 June 2007 and our proforma consolidated cash flows for the FYE 30 June 2007 (collectively referred to as the "Proforma Consolidated Financial Information"), which we have prepared for illustrative purposes only. Our Proforma Consolidated Financial Information have been prepared based on the audited financial statements of our subsidiary company, namely Amshore, and after giving effect to the proforma adjustments considered appropriate. In addition, our Proforma Consolidated Financial Information has been properly compiled on the basis consistent with those previously adopted in the preparation of the audited financial statements of Amshore.

You should read the Proforma Consolidated Financial Information in conjunction with the "Management Discussion and Analysis of Past Operating Results and Financial Position" as set out in Section 14 of this Prospectus and the "Accountants' Report" as set out in Section 16 of this Prospectus.

13.1 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR THE PAST 3 FINANCIAL YEARS UP TO FYE 30 JUNE 2007

We have prepared our proforma consolidated income statements for the past 3 financial years up to FYE 30 June 2007 for illustrative purposes and based on the assumption that our current Group structure has been in existence throughout the financial years under review. We advise you read our proforma consolidated income statements together with the accompanying notes and assumptions included in the "Reporting Accountants' Letter on the Proforma Consolidated Financial Information" as set out in Section 13.4 below.

	Proforma Group		
	FYE 30.6.2005 RM'000	**FYE 30.6.2006 RM'000**	**FYE 30.6.2007 RM'000**
Revenue	17,656	26,259	41,785
Cost of Sales	(11,441)	(15,446)	(24,330)
Gross profit	6,215	10,813	17,455
EBITDA	6,238	9,676	15,990
Depreciation and amortisation	(835)	(1,000)	(3,441)
Profit from operations	5,403	8,676	12,549
Interest expenses	(325)	(506)	(3,275)
PBT	5,078	8,170	9,274
Taxation	(567)	(1,391)	(2,084)
PAT	4,511	6,779	7,190
Gross profit margin (%)	35.20	41.18	41.77
PBT margin (%)	28.76	31.11	22.19
Number of Shares in issue ('000) [(3)]	162,991	162,991	162,991
Net EPS (sen)	2.77	4.16	4.41

Notes:

(1) There is no exceptional item, extraordinary item or minority interest reported by Amshore for the financial years under review.

(2) There is no share of profits and losses of associated companies and joint venture for the financial years under review.

13. PROFORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

(3) Represents the number of Shares assumed in issue after the Acquisition (which is assumed to have taken place prior to 1 July 2004) but prior to the Public Issue.

The financial statements of the Company for the financial period commencing from 13 July 2006 (date of incorporation) to 30 June 2007 were audited by Shamsir Jasani Grant Thornton and reported without any audit qualification.

The financial statements of Amshore for the FYE 30 June 2005 were audited by other firms of auditors while the financial statements of Amshore for the FYE 30 June 2006 and FYE 30 June 2007 were audited by Shamsir Jasani Grant Thornton. All the financial statements of Amshore for the abovementioned financial years were reported without any audit qualification.

13.2 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007 AFTER INCORPORATING THE EFFECTS OF THE FLOTATION SCHEME

The following table sets out the proforma consolidated balance sheets of our Group as at 30 June 2007, assuming that the Flotation Scheme and utilisation of the proceeds had been effected as at that date. We have prepared the proforma consolidated balance sheets for illustrative purposes only and you should read it in conjunction with the notes and assumptions to the proforma consolidated balance sheets included in the "Reporting Accountants' Letter on the Proforma Consolidated Financial Information" as set out in Section 13.4 of this Prospectus.

	(A)	(B)	(C)
	Audited as at 30 June 2007 RM'000	After (A) and Acquisition RM'000	After (B) and Public Issue, Offer for Sale and utilisation of proceeds RM'000
SHARE CAPITAL	*	32,598	40,000
SHARE PREMIUM	-	-	2,811
RETAINED PROFITS	(5)	3,686	3,686
Total shareholders' funds	(5)	36,284	46,497
NON CURRENT LIABILITIES			
Deferred tax liabilities	-	3,106	3,106
Finance payables	-	5,795	3,520
Bank borrowings	-	42,318	42,318
	(5)	87,503	95,441
Represented by:			
NON-CURRENT ASSETS			
Property, plant and equipment	-	61,372	66,372
Other investment	-	3,500	3,500
CURRENT ASSETS			
Inventories	-	3,054	3,054
Receivables	-	18,699	18,699
Tax recoverable	-	1,150	1,150
Cash and bank balances	-	10,051	11,264
Total current assets	-	32,954	34,167

	(A) Audited as at 30 June 2007 RM'000	(B) After (A) and Acquisition RM'000	(C) After (B) and Public Issue, Offer for Sale and utilisation of proceeds RM'000
CURRENT LIABILITIES			
Payables	5	4,028	4,028
Bank borrowings	-	4,570	4,570
Finance payables	-	1,725	-
Total current liabilities	5	10,323	8,598
NET CURRENT (LIABILITIES) / ASSETS	(5)	22,631	25,569
	(5)	87,503	95,441
NUMBER OF SHARES IN ISSUE ('000)	*	162,991	200,000
NTA (RM'000)	(5)	36,284	46,497
NTA PER SHARE (SEN)	#	22.26	23.25

Notes:

* *Share capital of RM2.00 comprising 10 Shares*

\# *Net tangible liability of RM500 per Share*

13.3 PROFORMA CONSOLIDATED CASH FLOW SUMMARY FOR FYE 30 JUNE 2007

The following table sets out the summary of the proforma consolidated cash flow statements of our Group for the FYE 30 June 2007, assuming that our current Group structure has been in existence since the beginning of the FYE 30 June 2007. This proforma consolidated cash flows has been extracted from, and should be read in conjunction with the "Reporting Accountants' Letter on the Proforma Consolidated Financial Information" as set out in Section 13.4 of this Prospectus.

	Proforma Group FYE 30.06.2007 RM'000
Net cash generated from operating activities	2,652
Net cash used in investing activities	(35,048)
Net cash generated from financing activities	42,307
Net increase in cash and cash equivalents	9,911
Cash and cash equivalents at beginning of the year	140
Cash and cash equivalents at end of the year	10,051

13.4 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

Shamsir Jasani Grant Thornton

Chartered Accountants

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(Prepared for inclusion in the Prospectus)

Date: 24 October 2007

The Board of Directors
Bio Osmo Berhad
Suite 6.1A, Level 6
Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim

Dear Sirs

BIO Osmo Berhad
Reporting Accountants' Letter on the Proforma Consolidated Financial Information

We have reviewed the proforma consolidated financial information of Bio Osmo Berhad ("Bio Osmo") and its subsidiary company ("Bio Osmo Group") for the financial years ended 30 June 2005, 2006 and 2007, together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statements (which we have stamped for the purpose of identification) and for inclusion in the Prospectus of Bio Osmo to be dated 16 November 2007. The proforma consolidated financial information have been prepared for illustrative purposes only on the basis of assumptions as set out in the attachment and after making certain adjustments to show what:-

(i) the financial results of Bio Osmo Group for the financial years ended 30 June 2005, 2006 and 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the years being reported on;

(ii) the financial position of Bio Osmo Group as of 30 June 2007 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the proceeds of the public issue; and

(iii) the cashflows of Bio Osmo Group for the financial year ended 30 June 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial year ended 30 June 2007.

The proforma consolidated financial information, because of its nature, does not give a true picture of Bio Osmo Group's actual financial results, financial position and cash flows.

Shamsir Jasani Grant Thornton (AF:0737)
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Shamsir Jasani Grant Thornton

It is the responsibility solely of the Board of Directors of Bio Osmo to prepare the proforma consolidated financial information. Our responsibility is to form an opinion on the proforma consolidated financial information and to report our opinion to you based on our work.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information to the audited financial statements of the acquired subsidiary company of Bio Osmo, Amshore Holdings Sdn Bhd ("AMSHORE"), for the financial years ended 30 June 2005, 2006 and 2007 and considering the evidence supporting the adjustments, and discussing the proforma consolidated financial information with the Directors of Bio Osmo.

In our opinion,

i) the proforma consolidated financial information have been properly prepared from the audited financial statements of the acquired subsidiary company of Bio Osmo, AMSHORE, which were prepared in accordance with the applicable approved accounting standards in Malaysia;

ii) such basis is consistent with the accounting policies adopted by the acquired subsidiary company of Bio Osmo, AMSHORE;

iii) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information; and

iv) the proforma consolidated financial information have been properly prepared on the basis of assumptions stated in the attachment.

The accompanying proforma consolidated financial statements and this letter have been prepared solely for inclusion in the Prospectus in connection with the Flotation Scheme. This letter should not be reproduced, referred to in any other documents, or used for any other purpose without our prior written consent.

Yours faithfully,

SHAMSIR JASANI GRANT THORNTON
NO. AF: 0737
CHARTERED ACCOUNTANTS

DATO' N. K. JASANI
NO: 708/03/08(J/PH)
PARTNER

BIO OSMO BERHAD
(Company No: 740838-A)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANY

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 30 JUNE 2005, 2006 AND 2007

1. The proforma consolidated financial information have been prepared to illustrate what:-

   (i) the financial results of Bio Osmo Group for the financial years ended 30 June 2005, 2006 and 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the years being reported on;

   (ii) the financial position of Bio Osmo Group as of 30 June 2007 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the proceeds of the public issue; and

   (iii) the cash flows of Bio Osmo Group for the financial year ended 30 June 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial year ended 30 June 2007.

2. The proforma consolidated financial information have been prepared based on the audited financial information of the acquired subsidiary company of Bio Osmo, AMSHORE, for the financial years ended 30 June 2005, 2006 and 2007 and using the bases and the accounting principles consistent with those adopted in the audited consolidated financial information, after giving effect to the proforma adjustments considered appropriate.

3. For illustrative purposes, it was assumed that the acquisition of AMSHORE took place prior to 1 July 2004 in arriving at the proforma consolidated income statements for the years ended 30 June 2005, 2006 and 2007.

4. The proforma consolidated financial information have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results of operations and cash flows of the Bio Osmo Group.

5. The statutory audited financial information of AMSHORE for the financial years ended 30 June 2005, 2006 and 2007 was prepared in accordance with applicable Malaysia Accounting Standard Board ("MASB") approved accounting standards in Malaysia.

6. Significant inter-companies transactions have been eliminated on proforma Bio Osmo Group.

BIO OSMO BERHAD
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NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2005, 2006 AND 2007 (CONT'D)

7. The Proforma Consolidated Balance Sheets together with the accompanying notes thereto, have been prepared solely for illustrative purposes, to show the effects of the following schemes based on the assumption that the following schemes / transactions were completed on 30 June 2007.

(i) **Acquisition**

Acquisition of the entire issued and paid-up share capital of AMSHORE comprising 10,738,602 ordinary shares of RM1.00 each for a total purchase consideration of RM32,598,198 satisfied by the issuance of 162,990,990 new ordinary shares of RM0.20 each in Bio Osmo ("Share") at an issue price of RM0.20 per Share to the vendors of AMSHORE.

The acquisition was completed on 16 July 2007 and was accounted for using the purchase method of consolidation.

(ii) **Initial Public Offering**

The initial public offering of 45,036,700 Shares, of which 37,009,000 Shares will be issued by Bio Osmo pursuant to the Public Issue and 8,027,700 Shares will be offered by the Offerors pursuant to the Offer for Sale as set out below:

a) **Public Issue**

Public Issue of 37,009,000 new Shares ("Issue Shares") at an issue price of RM0.33 per Issue Share payable in full upon application comprising:-

1) 15,000,000 Issue Shares, representing 7.5% of the enlarged issued and paid-up share capital of Bio Osmo, will be made available for application by the Malaysian public, of which at least 30% is to be set aside strictly for Bumiputera investors;

2) 10,000,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of Bio Osmo, have been reserved for the Directors and eligible employees of the Bio Osmo Group and persons who have contributed to the success of the Bio Osmo Group;

3) 10,009,000 Issue Shares, representing approximately 5.0% of the enlarged issued and paid-up share capital of Bio Osmo, have been reserved for selected investors by way of private placement; and

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BIO OSMO BERHAD
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NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2005, 2006 AND 2007 (Cont'd)

7. (ii) **Initial Public Offering (Cont'd)**

a) **Public Issue (Cont'd)**

4) 2,000,000 Issue Shares, representing 1.0% of the enlarged issued and paid-up share capital of Bio Osmo, have been reserved for Bumiputera investors approved by the Ministry of International Trade and Industries ("MITI") for the purpose of compliance with the National Development Policy.

b) **Offer for Sale**

Offer for sale of 8,027,700 Shares ("Offer Shares"), representing approximately 4.0% of the enlarged issued and paid-up share capital of Bio Osmo, at an offer price of RM0.33 per Offer Share to Bumiputera investors approved by the MITI for the purpose of compliance with the National Development Policy.

c) **Listing and Quotation on the Second Board of Securities Exchange**

Listing of and quotation for the entire enlarged issued and paid-up share capital of Bio Osmo of RM40,000,000 comprising 200,000,000 Shares on the Second Board of Securities Exchange.

8. The proforma consolidated financial information comprises the following:-

Appendix 1:- Proforma Consolidated Income Statements for the financial years ended 30 June 2005 to 30 June 2007;

Appendix 2:- Proforma Consolidated Balance Sheets as at 30 June 2007;

Appendix 3:- Statements of Assets and Liabilities as at 30 June 2007; and

Appendix 4:- Proforma Consolidated Cash Flow Statements for the financial year ended 30 June 2007.

Appendix 1

BIO OSMO BERHAD
(Company No: 740838-A)
(Incorporated in Malaysia)
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PROFORMA CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2005, 2006 AND 2007

The proforma consolidated financial results of the Bio Osmo Group for the past three (3) financial years ended 30 June 2005 to 30 June 2007 are provided for illustrative purposes based on the audited financial statements of its acquired subsidiary company, AMSHORE, assuming that the Bio Osmo Group has been in existence throughout the financial years under review.

Years ended	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2007 RM'000
Revenue	17,656	26,259	41,785
Gross profit	6,215	10,813	17,455
Profit before depreciation, interest and taxation	6,238	9,676	15,990
Depreciation	(835)	(1,000)	(3,441)
Interest expenses	(325)	(506)	(3,275)
Profit before taxation but after depreciation and interest	5,078	8,170	9,274
Taxation	(567)	(1,391)	(2,084)
Profit after taxation	4,511	6,779	7,190

Notes:-

(1) Significant inter-company transactions are eliminated.

(2) The Bio Osmo Group's proforma consolidated income statements for the financial years ended 30 June 2005, 2006 and 2007 are prepared for illustrative purpose only and on the assumption that the acquisitions of AMSHORE was completed prior to 1 July 2004.

(3) There is no extraordinary item, exceptional item and minority interest for the financial years under review.

(4) There is no share of profits and losses of associated companies and joint ventures for the financial years under review.

(5) There were no accounting policies which are peculiar to the Bio Osmo Group due to the nature of business or industry it is involved in and that would affect the determination of the Bio Osmo Group's income or financial position.

Appendix 1

BIO OSMO BERHAD
(Company No: 740838-A)
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AND ITS SUBSIDIARY COMPANY

PROFORMA CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2005, 2006 AND 2007 (CONT'D)

Years ended	30/06/2005	30/06/2006	30/06/2007
Gross profit margin (%)	35.20	41.18	41.77
Pre-tax profit margin (%)	28.76	31.11	22.19
Effective tax rate (%)	11.17	18.65	22.64
Total borrowings (RM'000) (All interest-bearing debts)	5,237	14,979	54,408
Gearing ratio (times)	0.14	0.37	1.13
Interest coverage ratio (times)	16.62	17.15	3.83
Assumed no. of ordinary shares in issue of RM0.20 each ('000) #	162,991	162,991	162,991
Gross earnings per share (sen) ^	3.12	5.01	5.69
Net earnings per share (sen) ^	2.77	4.16	4.41

Notes:-

Represents the number of ordinary shares assumed in issue based on the issued and paid-up capital after the Acquisition of AMSHORE (which is assumed to have taken place prior to 1 July 2004) but before the Public Issue.

^ The Gross EPS and Net EPS were computed by dividing the PBT and PAT respectively by the assumed number of shares in issue during the financial years ended 30 June 2005, 2006 and 2007 respectively, after the Acquisition of AMSHORE but before the Public Issue.

Appendix 2

BIO OSMO BERHAD
(Company No: 740838-A)
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PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2007

The Proforma Consolidated Balance Sheets of the Bio Osmo Group as at 30 June 2007 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Proforma Consolidated Balance Sheets on the assumption that these transactions were completed on 30 June 2007.

	Audited as at 30.06.2007 RM'000	Proforma I RM'000	Proforma II RM'000
SHARE CAPITAL	*	32,598	40,000
SHARE PREMIUM	-	-	2,811
Retained profit	(5)	3,686	3,686
Total shareholders' equity	(5)	36,284	46,497
NON CURRENT LIABILITIES			
Deferred tax liabilities	-	3,106	3,106
Finance payables	-	5,795	3,520
Bank borrowings	-	42,318	42,318
	(5)	87,503	95,441
Represented by:-			
NON-CURRENT ASSETS			
Property, plant and equipment	-	61,372	66,372
Other investment	-	3,500	3,500
CURRENT ASSETS			
Inventories	-	3,054	3,054
Receivables	-	18,699	18,699
Tax recoverable	-	1,150	1,150
Cash and bank balances	-	10,051	11,264
Total current assets	-	32,954	34,167
CURRENT LIABILITIES			
Payables	5	4,028	4,028
Bank borrowings	-	4,570	4,570
Finance payables	-	1,725	-
Total current liabilities	5	10,323	8,598
NET CURRENT (LIABILITIES)/ASSETS	(5)	22,631	25,569
	(5)	87,503	95,441
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM0.20 EACH (SEN)	#	22.26	23.25

* Share capital of RM2 consists of 10 ordinary shares of RM0.20 each.
# Net tangible liability of RM500 per Share

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Appendix 2

BIO OSMO BERHAD
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PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2007 (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only based on the audited financial statements of Bio Osmo and its subsidiary company, AMSHORE, as at 30 June 2007 after making such adjustments that are considered necessary for elimination of all inter-company balances.

2. The Proforma Consolidated Balance Sheets have been prepared based on accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements to illustrate the proforma Consolidated Balance Sheets of Bio Osmo after incorporating the following transactions mentioned below as though they were effected on 30 June 2007:-

Proforma I: Acquisition

Bio Osmo acquired the entire issued and paid-up share capital of AMSHORE comprising 10,738,602 ordinary shares of RM1.00 each for a total purchase consideration of RM32,598,198 satisfied via the issuance of 162,990,990 Shares at par;

The acquisition was accounted for using the puchase method of consolidation.

The realisation of the negative goodwill in the proforma consolidated income statements arising from the acquisition of AMSHORE has been accounted for as the gain and deemed to be a non-recurring income.

Proforma II: After Proforma I and Public Issue

Public issue of 37,009,000 new Shares at an issue price of RM0.33 per Issue Share.

The estimated listing expenses of RM2,000,000 are expected to be written off against the share premium account.

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BIO OSMO BERHAD
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PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2007 (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS – CONT'D

2. **Proforma II: After Proforma I and Public Issue (Cont'd)**

The gross proceeds arising from the public issue amounting to RM12,212,970 are expected to be fully utilised for the core business of the Bio Osmo Group in the following manner:-

	RM'000
Repayment of hire purchase loans	4,000
Expansion of operations	5,000
Working capital	1,213
Estimated listing expenses	2,000
	12,213

3. The movement of the issued and paid-up share capital of Bio Osmo is as follows:-

	RM'000
As at 30 June 2007	-
Acquisition	32,598
As per Proforma I	32,598
Public Issue	7,402
As per Proforma II	40,000

4. The movement of the share premium account is as follows:-

	RM'000
As at 30 June 2007/ As per Proforma I	-
Public Issue	4,811
Estimated listing expenses	(2,000)
As per Proforma II	2,811

Appendix 2

BIO OSMO BERHAD
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PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2007 (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS – CONT'D

5. The movement of the retained profit account is as follows:-

	RM'000
As at 30 June 2007/ As per Proforma I	(5)
Realisation of negative goodwill	3,691
As per Proforma II	3,686

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BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007

The following is a proforma statement of assets and liabilities of the Bio Osmo Group as at 30 June 2007 prepared for illustrative purposes, based on the audited financial statements of Bio Osmo and the acquired subsidiary company, AMSHORE. The proforma statement of assets and liabilities has incorporated the effects of issuance of 162,990,990 Shares by Bio Osmo for the acquisition of AMSHORE and based on the assumptions that Bio Osmo Group had been in existence as at 30 June 2007.

	Note	30 June 2007 RM'000
SHARE CAPITAL	1	32,598
RESERVE		3,686
Total shareholders' equity		36,284
NON CURRENT LIABILITIES		
Deferred tax liabilities	2	3,106
Term loans	3	42,318
Finance payables	4	5,795
		87,503
Represented by:-		
NON-CURRENT ASSETS		
Property, plant and equipment	5	61,372
Other investment	6	3,500
CURRENT ASSETS		
Inventories	7	3,054
Trade receivables		10,819
Other receivables, deposits and prepayments	8	7,880
Tax recoverable		1,150
Cash and bank balances		10,051
Total current assets		32,954
CURRENT LIABILITIES		
Trade payables		1,674
Other payables and accruals	9	2,354
Term loans	3	985
Finance payables	4	1,725
Short term borrowings	10	3,585
Total current liabilities		10,323
NET CURRENT ASSETS		22,631
		87,503

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Appendix 3

BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

Number of ordinary shares assumed in issue	162,991,000
Proforma Net Tangible Assets (RM'000)	36,284
Proforma Net Tangible Assets per ordinary share (RM)	0.22

Summary of significant accounting policies

The significant accounting policies adopted by the BIO Osmo Group are as follows:-

(i) Basis of preparation of financial statements

The financial statements of the Group and of the Company are prepared in accordance with the applicable approved MASB accounting standards in Malaysia.

(ii) Basis of consolidation

The consolidated financial statements included the financial statements of the Company and its subsidiary company.

Subsidiary company is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary company acquired or disposed during the financial year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheets. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheets as goodwill or reserves arising on consolidation.

All significant inter group transactions, balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only. The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statements.

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BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

Summary of significant accounting policies (Cont'd)

(iii) Subsidiary company

A subsidiary company is a company in which the Group or the Company has the power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Investments in subsidiary company are stated at cost. Where an indication of impairment exists, the carrying amount of the subsidiary company is assessed and written down immediately to their recoverable amount. The policy for recognition and measurement of impairment loss is in accordance with accounting policy for impairment of assets. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(iv) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy for impairment of assets.

Freehold land is stated at cost less impairment losses, if any, and is not depreciated.

Depreciation is computed to write off the cost on a straight line basis over the estimated useful lives of the assets concerned.

The principal annual rates of depreciation used are as follows:

Buildings	2%
Plant and machinery	10% to 20%
Office equipment, furniture and fittings and renovation	10%
Motor vehicles	20%

(v) Construction work-in-progress

Construction work-in-progress consist of freehold lands, buildings and plant and machinery under construction/installation for intended use as production facilities. The amount is stated at cost and not depreciated until the assets is fully completed and brought into use.

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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

Summary of significant accounting policies (Cont'd)

(vi) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(vii) Property, plant and equipment acquired under finance lease or hire purchase arrangements

The cost of property, plant and equipment acquired under finance lease or hire purchase arrangements are capitalised. The depreciation policy on these assets is similar to that of the Group's property, plant and equipment depreciation policy. Outstanding obligations due under the finance lease or hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease or hire purchase agreements are allocated to income statement over the period of the respective agreements.

(viii) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost is determined on the FIFO basis.

Cost of raw materials includes the actual cost of purchase and other incidentals costs in bringing the inventories into their present location and condition.

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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

Summary of significant accounting policies (Cont'd)

(viii) Inventories (Cont'd)

Cost of finished goods and work-in-progress comprises purchase price of raw materials, direct labour cost and an appropriate proportion of production overhead.

In arriving at net realisable value, due allowance is made for all obsolete, damaged and slow-moving items.

(ix) Receivables

Known bad debts are written off and specific provision is made for debts which are considered doubtful of collection.

(x) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivable, payable and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

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

(xi) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(xii) Payables

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

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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

Summary of significant accounting policies (Cont'd)

(xiii) Provision of liabilities

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

(xiv) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arise from goodwill or negative 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 profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

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BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

Summary of significant accounting policies (Cont'd)

(xv) Foreign currency translation

Transactions in foreign currencies during the financial year are converted into Ringgit Malaysia at approximately the rates of exchange ruling on the dates of transactions.

Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at approximately the rates of exchange ruling on that date. Where forward exchange contracts have been arranged in respect of assets and liabilities, the contracted rates of exchange are used.

The exchange rates ruling at balance sheet date used are as follows:-

	2005 RM	2006 RM	2007 RM
1 US Dollar	3.780	3.675	3.447
100 Japanese Yen	3.544	3.208	-
1 Singapore Dollar	2.252	2.321	2.250

Exchange differences arising from foreign currency translation are charged to the income statement.

(xvi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(xvii) Revenue recognition

Revenue are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

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BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

Summary of significant accounting policies (Cont'd)

(xviii) Investments

Non-current investments other than investment in subsidiary companies, associate companies, jointly controlled entities are shown at cost and allowance is only made where, in the opinion of the Directors, there is an impairment in value. Impairment in the value of an investment is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(xviv) Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the 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.

(b) Defined contribution plans

Obligations for contributions to defined contribution plans such as Employees Provident Fund ("EPF") are recognised as an expense in the income statement as incurred.

Appendix 3

BIO OSMO BERHAD
(Company No: 740838-A)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANY

PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

Notes to the Proforma Statements of Assets and Liabilities

The accounting policies used in the preparation of the proforma statement of assets and liabilities are consistent with those adopted by the acquired subsidiary company of Bio Osmo, AMSHORE, and complies with generally accepted accounting principles.

1. SHARE CAPITAL

	Group 2007 RM'000
Issued and fully paid:	
162,991,000 ordinary shares of RM0.20 each	32,598

2. DEFERRED TAXATION

	Group 2007 RM'000
Deferred tax liabilities	3,106
	3,106

The deferred tax liabilities during the financial year consists of the following:-

	Group 2007 RM'000
Deferred tax liabilities	
Temporary differences on carrying amount of property, plant and equipment with their tax base	3,106

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Appendix 3

BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

3. TERM LOANS

	Group 2007 RM'000
Unsecured:	
Term loan	35,000
Secured:	
Term loans	8,303
	43,303
Repayable within 12 months (included under current liabilities)	(985)
	42,318

Secured

(a) The term loans bear interest at rates ranging from 4.30% to 7.75% per annum and are secured as follows:-

(i) by way of legal charges over the landed properties of a subsidiary company;
(ii) by a pledge of fixed deposits by a director of a subsidiary company;
(iii) by the joint and several guarantees of the directors of a subsidiary company and a third party;
(iv) by way of fixed and floating charges over assets of a subsidiary company; and
(v) by way of guarantee from Credit Guarantee Corporation Malaysia Berhad (CGC).

(b) The repayment schedule of the term loans are:-

Term loan	Number of monthly installments	Monthly installment RM	Date of commencement of repayment
1	36	14,987	1.3.2005
2	60	7,525	1.4.2006
3	120	21,460	1.4.2006
4	120	73,919	1.8.2006
5	96	112,080	1.7.2007

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BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

3. TERM LOANS (CONT'D)

Unsecured

(a) The term loans bears interest at rate of 7.05% per annum.

(b) Term loan is repayable and payable by the Company in one lump sum on the last day of the Tenor of the Facility, being 5 years after commencing from the date of the Advance of the Facility on October 2006.

4. FINANCE PAYABLES

	Group 2007 RM'000
Payable within 1 year	2,186
Payable after 1 year but not later than 5 years	6,420
	8,606
Less: Interest-in-suspense	(1,086)
	7,520
Present value of hire purchase	
- within 1 year	1,725
- after 1 year but not later than 5 years	5,795
	7,520

5. PROPERTY, PLANT AND EQUIPMENT

	Group		
	Cost	Accumulated Depreciation	Net book Value
	RM'000	RM'000	RM'000
Freehold land	4,138	-	4,138
Buildings	12,776	361	12,415
Plant and machinery	43,222	6,257	36,965
Office equipment, furniture and fittings and renovation	1,338	218	1,120
Construction work in progress	6,734	-	6,734
	68,208	6,836	61,372

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Appendix 3

BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Included in plant and machinery of the Group are the following assets acquired under hire purchase terms:-

	Group 2007 RM'000
At Net Book Value	
Plant and machinery	10,377
Motor vehicle	1,200
	11,577

(b) The following assets have been pledged to financial institutions as security for banking facilities granted to the Group:-

	Group 2007 RM'000
Freehold land	3,317
Buildings	11,159
	14,476

6. OTHER INVESTMENTS

	Group 2007 RM'000
At cost	
Unquoted bonds	3,500

7. INVENTORIES

	Group 2007 RM'000
At cost	
Raw materials	2,353
Finished goods	701
	3,054

Appendix 3

BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2007 RM'000
Other receivables	518
Deposits and prepayments	7,362
	7,880

9. OTHER PAYABLES AND ACCRUALS

	Group 2007 RM'000
Other payables	1,060
Accruals	1,070
Payroll liabilities	224
	2,354

10. SHORT TERM BORROWINGS

	Group 2007 RM'000
Secured:-	
Bankers' acceptance	3,585

Bankers' acceptances are drawn for a period of up to 120 days which are renewable on maturity date and bear interest at rates ranging from 3.63% to 3.83% per annum.

The short term borrowings are secured by the following:-

(i) by joint and several guarantees of the directors of a subsidiary company and a third party;
(ii) by a pledge of fixed deposits of the Group and of a subsidiary Company;
(iii) by way of legal charge over landed properties of a subsidiary Company; and
(iv) by way of fixed and floating charges over the assets of a subsidiary company.

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Appendix 3

BIO OSMO BERHAD
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PROFORMA STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2007 (CONT'D)

11. CAPITAL COMMITMENTS

	Group 2007 RM'000
Approved and contracted for:-	
Acquisition of machinery	3,070

Appendix 4

BIO OSMO BERHAD
(Company No: 740838-A)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANY

PROFORMA CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The proforma consolidated cash flow statements of Bio Osmo Group for the financial year ended 30 June 2007 is prepared for illustrative purposes only and is based on the audited financial statements of the acquired subsidiary company of Bio Osmo, AMSHORE, after making such adjustments considered necessary assuming the Bio Osmo Group had been in existence since the beginning of the financial year ended 30 June 2007.

	Notes	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		9,274
Adjustments for:-		
Depreciation		3,441
Provision for doubtful debts no longer required		(170)
Loss on disposal of property, plant and equipment		4
Interest expense		3,275
Interest income		(120)
Operating profit before working capital changes		15,704
Changes in working capital:-		
Inventories		(1,043)
Receivables		(8,620)
Payables		1,397
Cash generated from operations		7,438
Tax paid		(2,251)
Interest paid		(2,655)
Interest received		120
Net cash generated from operating activities		2,652

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Appendix 4

BIO OSMO BERHAD
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PROFORMA CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (CONT'D)

	Notes	2007 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property, plant and Equipment		25
Acquisition of other investment		(3,500)
Purchase of property, plant and equipment	A	(31,573)
Net cash used in investing activities		(35,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share to subsidiary shareholders		9,833
Net withdrawal of fixed deposits		1,419
Drawdown of Collateralised Loan Obligations funds		35,000
Net drawdown of term loans		386
Net repayment of bankers' acceptances		(853)
Repayment of hire purchase creditors		(1,950)
Net repayment of trust receipts		(1,528)
Net cash generated from financing activities		42,307
CASH AND CASH EQUIVALENTS		
Net changes		9,911
At beginning of year		140
At end of year		10,051

Notes to the Proforma Consolidated Cash Flow Statements

A. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM40,415,226 of which RM8,842,400 was acquired by means of hire purchase. Cash payments of RM31,572,826 were made to purchase the property, plant and equipment.

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14. MANAGEMENT DISCUSSION AND ANALYSIS OF PAST OPERATING RESULTS AND FINANCIAL POSITION

The following discussion and analysis of our Group's past operating results and financial position should be read in conjunction with the "Proforma Historical Financial Information" as set out in Section 13 of this Prospectus and the Accountants' Report as set out in Section 16 of this Prospectus.

14.1 OVERVIEW

Our Company is principally an investment holding company and the core revenue of our Group is derived through our wholly-owned subsidiary company, namely Amshore, which is involved in the processing, manufacturing and selling of drinking water.

Amshore began its operations in 1998, focusing initially on the production of fresh and concentrated fruit juice. Since 2001, Amshore has gradually shifted its business focus from the production of fresh and concentrated juice to RO water, which in the opinion of the Board of Directors of Amshore offered greater market potential and enabled Amshore to yield higher gross profit margin. In the FYE 30 June 2004, Amshore had completely curtailed its production of fresh and concentrated juices.

Amshore currently manufactures and distributes our RO water for various private brands on an OEM basis within Malaysia as well as Singapore. In addition, Amshore also manufactures and distributes bottled RO water under its own "Yes 1968" brand in Malaysia. At present, the bottled RO water manufactured by Amshore come in four different sizes, namely 500ml, 1.5 litres, 5.5 litres bottles as well as in packaged drinking cups (approximately 230ml). Please refer to Section 7.2 of this Prospectus for further information on Amshore's current range of bottled RO water.

14.1.1 Revenue

Significant factors affecting our Group's revenue include but not limited to the following:

(i) Our ability to continue to secure new customers and expand our customer base;

(ii) Our ability to compete effectively with existing competitors and new entrants to the still bottled water industry;

(iii) Our ability to continue to expand our market reach to foreign countries, including Singapore;

(iv) Our ability to deliver our orders as scheduled; and

(v) Our ability to maintain our service quality and continual commitment towards meeting the high standards of health.

Please refer to the Risks Factors set out in Section 5 of this Prospectus for further information on other key factors which may potentially affect our revenue.

14.1.2 Cost of sales

Our cost of sales mainly comprises the following:

(i) cost of raw materials such as PET resin, water and packing materials;

(ii) direct labour costs which consist mainly of salaries, wages, bonuses, EPF contributions made to employees or factory workers who are directly involved in our production and manufacturing activities; and

(iii) manufacturing overheads such as depreciation of factory buildings, plant and machinery, electricity charges and upkeep and maintenance costs of factory, machinery and purifying system.

The main factors affecting our Group's cost of sales are as follows:

(i) Our ability to manufacture the pre-form and plastic bottles as part of our fully-integrated manufacturing processes, instead of relying on third party suppliers to supply such pre-form or plastic bottles, has in the past significantly reduced our cost of sales;

(ii) The supply and demand conditions of our key raw materials, in particular the PET resin for the manufacturing of the pre-form and plastic bottles, would have a material impact on our Group's overall cost of sales as PET resin accounted for 66.7% of the total raw material purchased in FYE 30 June 2007. As the PET resin is a petrochemical based raw materials, the prices of PET resin are generally linked to the prices of crude oil. Any unfavourable price fluctuations of the PET resin and failure to pass on such price increases to our customers will have an adverse effect on our profit margin;

(iii) The direct labour costs are directly linked to the level of salaries and wages, which is dependent on the labour market conditions. Further, the direct labour costs are also affected by the additional staffing requirements or overtime required due to the increase in our scale of productions;

(iv) As our Group expands our scale of operations and purchases more new equipment and machinery, the depreciation expenses are expected to increase correspondingly. Similarly, certain manufacturing overheads, such as electricity charges, upkeep and maintenance costs of machinery and purifying system, are also directly linked to our scale of operations or production volume; and

(v) Other fixed manufacturing overheads such as factory rental and factory general expenses do not vary significantly with our scale of operations or production volume.

Please refer to the Risks Factors set out in Section 5 of this Prospectus for further information on other key factors which may potentially affect our cost of sales.

14.1.3 Operating Expenses

Operating expenses consist of selling and distribution expenses and administrative expenses.

Selling and distribution expenses primarily include transport charges, sales commission, petrol and diesel and other travelling and marketing expenses.

Administrative expenses primarily consists of custom levy and tax, Directors' remuneration, salaries, bonus and allowances for our administrative employees, professional and audit fees and other administrative expenses.

14. MANAGEMENT DISCUSSION AND ANALYSIS OF PAST OPERATING RESULTS AND FINANCIAL POSITION *(Cont'd)*

14.2 ANALYSIS OF PAST OPERATING RESULTS AND KEY FINANCIAL RATIOS

14.2.1 Analysis of Operating Revenue by Geographical Locations

The segmentation analysis of our operating revenue by geographical location for the past 3 financial years up to FYE 30 June 2007 is as follows:

	< FYE 30 June					>
	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Operating Revenue						
Local	8,993	50.9	20,531	78.2	31,506	75.4
Export	8,663	49.1	5,728	21.8	10,279	24.6
	17,656	100.0	26,259	100.0	41,785	100.0

As illustrated above, our Group has achieved steady revenue growth for the past 3 financial years up to FYE 30 June 2007. Our local sales had registered consistent growth, reflecting our continued emphasis on tapping the potential of the Malaysian market. For the latest FYE 30 June 2007, local sales accounted for approximately 75% of the Group's total revenue. In Malaysia, our Group manufactures and distributes our RO water under 16 private labels on an OEM basis. In addition, our Group also manufactures and distributes bottled RO water under our own "Yes 1968" brand within Malaysia.

Our export market consists of mainly Singaporean market and significant marketing efforts have been made by our management team over the last few financial years, to expand our distribution network and increase our sales of RO water in Singapore. At present, our bottled RO water is currently marketed by 11 wholesalers in Singapore and sold under 15 separate private labels.

14.2.2 Key Financial Ratio

The table below sets out some of the key financial ratios achieved by our Group for the past 3 financial years up to FYE 30 June 2007:

	< Proforma Group		>
	FYE 30.06.2005	FYE 30.06.2006	FYE 30.06.2007
Gross profit margin (%)	35.20	41.18	41.77
PAT margin (%)	25.55	25.82	17.21
ROA (%) (1)	10.07	11.30	6.56
ROE (%) (1)	12.16	16.58	14.95
Current ratio (times) (1)	1.74	0.86	1.76
Gearing ratio (times) (1)	0.14	0.37	1.13
Trade receivables' turnover period (months) (2)	1.70	1.94	2.23
Trade payables' turnover period (months) (2)	0.47	0.76	0.75
Inventory turnover period (months) (2)	2.43	1.96	1.25

Notes:

(1) *Calculated based on the proforma consolidated balance sheets of Bio Osmo for the past 3 financial years up to FYE 30 June 2007 for illustrative purposes only, assuming that the Bio Osmo Group had in existence throughout the financial years under review.*

(2) *Calculated based on the average balance of trade receivables, trade payables or inventory, as the case may be.*

14.2.3 Commentary on Past Operating Results

FYE 30 June 2006 as compared to FYE 30 June 2005

Revenue

Our Group's revenue increased by RM8.60 million or 48.73% to RM26.26 million during FYE 30 June 2006. The total number of carton of RO water sold increased from 2.66 million cartons to 3.65 million cartons. The higher revenue was also partly attributable to the increase in our average selling price of RO water, which increased from an average of RM6.65 per carton for FYE 30 June 2005 to an average of RM7.20 per carton for FYE 30 June 2006.

Cost of sales

The cost of sales increased by RM4.00 million or 35.00% to RM15.45 million in line with the increase of our production volume and growth in revenue. Nonetheless, the average price of PET resin had decreased by approximately 7.20% as compared to previous year, resulted in a slower rate of increase in the overall cost of sales for the FYE 30 June 2006.

Gross profit

As a result of the reduction of the average price of PET resin as explained above, the gross profit margin had increased from 35.20% to 41.18%. The increase was also linked to the economies of scale achieved by our Company following an increase in our production volume.

Operating expenses

Operating expenses for the financial year amounted to RM2.15 million, which represented 8.19% of our Group's revenue (FYE 30 June 2005: 4.70%). The selling and distribution expenses increased from RM0.37 million to RM1.23 million due to higher petrol and diesel charges, transport charges and other travelling expenses as a result of the expansion of our scale of operations as well as the surge in oil prices to new peaks in the third quarter of 2005.

Similarly, our Group incurred higher administration expenses during the year due largely to an increase in professional fees paid, an increase in Directors' remuneration as well as an increase in salaries, bonus and allowances paid to administrative staff as a result of the Group's recruitment of additional senior management personnel.

Interest expenses

Interest expenses increased to RM0.51 million during the FYE 30 June 2006 as opposed to RM0.33 million for the previous financial year. The additional financing charges were associated with the higher bank borrowings utilised to finance the construction of our new factory located at 1A, 1A-1, 1A-2, Jalan Kampung Sungai Suloh, Mukim Minyak Beku, 83000 Batu Pahat, Johor Darul Takzim, as well as the acquisition of new equipment and machinery for the said new factory.

Taxation

A provision for taxation of RM1.02 million was made for the financial year together with the recognition of net deferred tax liabilities of RM0.51 million. The effective tax rate for the financial year stood at 18.65%, which was lower than the statutory tax rate of 28% due to the availability of reinvestment allowances at Amshore.

PAT

As a result of the foregoing, our Group's PAT increased by RM2.27 million or 50.28% to RM6.78 million and our Group's PAT margin also further improved from 25.55% to 25.82%.

FYE 30 June 2007 as compared to FYE 30 June 2006

Revenue

Our Group's revenue further improved by RM15.53 million or 59.13% to RM41.78 million during FYE 30 June 2007. The improved performance was contributed by increased production capacity and output following the commencement of operations at our new factory in the last quarter of 2006. In addition, the introduction of the two new serving sizes of our bottled RO water in 5.5 litres and cup size (approximately 230 ml) in March 2007, has also contributed favourably to our revenue for the FYE 30 June 2007.

Cost of sales

The cost of sales increased by RM8.88 million or 57.52% to RM24.33 million in line with the increase of our production volume and growth in revenue.

Gross profit

The gross profit margin increased marginally from 41.18% to 41.77%. Our Directors attribute the increase in the gross profit margin to the overall improvement in our production efficiencies as the fully-automated production line newly installed at our factory was able to produce more bottled RO water within a shorter production time with lesser manpower.

Operating expenses

Operating expenses for the financial year amounted to RM5.11 million, which represented 12.22% of our Group's revenue (FYE 30 June 2006: 8.19%). The increase in operating expenses was mainly attributable to the following:

(i) Increase in our Group's administration expenses, including staff salaries, allowances and bonuses. As the scale of our Group's operations increases in size and complexity, we have hired additional professionals in executive positions as well as adjusted the compensation package of our workforce, in order to motivate, retain and attract new management talent to contribute to the continued growth of our Group; and

(ii) Increase in our Group's selling and distribution expenses, including sales commission and transport charges in line with the expansion of our scale of operations.

Interest expenses

Interest expenses increased to RM3.28 million during the FYE 30 June 2007 as opposed to RM0.51 million for the previous financial year. In September 2006, Amshore has participated in a primary collateralised loan obligations transaction ("CLO"), whereby Amshore was granted a RM35 million term loan facility. Amshore incurred RM1.85 million of finance charges and upfront fees payment in relation to the CLO for the FYE 30 June 2007.

Taxation

The effective tax rate for the financial year stood at 22.64%, which was lower than the statutory tax rate of 27% due to the availability of reinvestment allowances at Amshore. A provision for taxation of RM0.10 million was made for the financial year together with the recognition of deferred tax liabilities of RM2.00 million.

PAT

As a result of the foregoing, our Group's PAT increased by RM0.41 million or 6.06% to RM7.19 million. However, our Group's PAT margin decreased from 25.82% to 17.21% as a result of higher level of operating and interest expense incurred in conjunction with the expansion of our production facilities to our new factory as explained above.

14.2.4 Known Trends, Demands, Commitments, Events or Uncertainties Affecting Financial Performance

Save as disclosed in Sections 5, 8 and 14 of this Prospectus, our financial performance, position and operations are not affected by any of the following:

(a) known trends, demands, commitments, events or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on our financial performance, position and operations;

(b) material commitments for capital expenditure;

(c) unusual or infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations; and

(d) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

14.3 LIQUIDITY AND CAPITAL RESOURCES

14.3.1 Sources of Liquidity

Our business growth has been financed through a combination of cash generated from our operations and external borrowings from financial institutions. Cash generated from operations is mainly from collections from customers. Our principal uses of cash have been for trade payments to suppliers, operating, administrative and financial expenses.

As at 19 October 2007 (being the latest practicable date at which such amounts could be calculated prior to the registration of this Prospectus), we had RM7.36 million of cash and cash equivalents. Further, we had an aggregate of RM57.06 million of available credit facilities comprising term loans, hire purchase loans, trade financing and other working capital facilities, out of which approximately RM54.93 million had been utilised as at 19 October 2007.

After taking into consideration the cash flow forecast of our Group as well as the proceeds from the Public Issue, our Directors are of the opinion that we have sufficient working capital for a period of 12 months from the date of this Prospectus to meet our needs and foreseeable requirements.

14.3.2 Cash Flows

The following table sets out the summary of our Group's proforma consolidated cash flow statements for the FYE 30 June 2007, based on the assumption that our current group structure has been in existence since the beginning of the FYE 30 June 2007. This proforma consolidated cash flows has been extracted from, and should be read it in conjunction with the "Reporting Accountants' Letter on the Proforma Consolidated Financial Information" as set out in Section 13.4 of this Prospectus as well as the "Accountants' Report" as set out in Section 16 of this Prospectus.

	Proforma Group FYE 30.06.2007 RM'000
Net cash generated from operating activities	2,652
Net cash used in investing activities	(35,048)
Net cash generated from financing activities	42,307
Net increase in cash and cash equivalents	9,911
Cash and cash equivalents at beginning of the year	140
Cash and cash equivalents at end of the year	10,051

Cash flows generated from operating activities

For the FYE 30 June 2007, our Group generated net cash flows of RM2.65 million from operating activities, comprised mainly receipts from customers. Included in the operating cash flows were taxation and interest expenses paid during the year, amounted to RM2.25 million and RM2.65 million respectively.

Cash flows used in investing activities

As part of our Group's continued expansion plan and the set-up of our new factory at 1A, 1A-1, 1A-2, Kampung Sungai Suloh, Jalan Budi Tengah, Taman Perindustrian Wawasan, Mukim Minyak Beku, 83000 Batu Pahat, Johor Darul Takzim, we have utilised RM31.57 million cash during the FYE 30 June 2007 to purchase new property, plant and equipment.

Cash flows generated from financing activities

Our Group recorded net cash inflows from financing activities of RM42.31 million for the FYE 30 June 2007, majority of which was attributable to the drawdown of the collaterised loan obligation amounted to RM35.00 million as well as the net withdrawal of fixed deposits amounted to RM1.42 million, to finance the set-up of our new factory. Further, we received a net RM9.8 million of cash proceeds from PNS in consideration for the issuance of 2,738,602 new ordinary shares of RM1.00 each in Amshore to PNS.

14.3.3 Borrowings

As at 19 October 2007 (being the latest practicable date at which such amounts could be calculated prior to the registration of this Prospectus), our Group had total outstanding borrowings of RM54.93 million, details of which are set out below:

	RM'000
Interest bearing long-term borrowings	47,351
Interest bearing short-term borrowings	7,576
Total borrowings	54,927
Proforma shareholders' funds as at 30 June 2007 [1]	36,284
Gearing ratio (times)	1.51

Note:

(1) Representing the proforma consolidated shareholders' funds of our Company as at 30 June 2007, assuming the Acquisition had been effected as at that date (but excluding the proforma effects of the Public Issue and utilisation of proceeds).

There has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group which our Directors are aware of.

14.4 MATERIAL CAPITAL COMMITMENTS

As at 19 October 2007 (being the latest practicable date of which such amounts could be calculated prior to the registration of this Prospectus), the material capital commitments incurred or known to be incurred by our Group that may have a substantial impact on the results of our financial position are as follows:

	RM '000
Approved and contracted for	
Set-up of manufacturing plant and acquisition of equipment and machinery for the manufacturing of mineral water	3,070

As part of our Group's expansion plan to venture into the processing and manufacturing of mineral water, we had entered into a sales contracts with Century Machinery and Protime Consultant Limited to engage their services to assist in the setting-up of a mineral water manufacturing plant, including the supply and installation of the necessary equipment and machinery for the use of the said plant for a total consideration of USD2,800,000 (equivalent to RM9.66 million based on an exchange rate of USD1 to RM3.45). As at 19 October 2007, we have paid Century Machinery and Protime Consultants Limited approximately RM5.70 million and RM0.89 million respectively as deposit for the said services and supply of equipment and machinery.

We plan to finance the aforesaid capital commitment using the proceeds to be raised from the Public Issue.

14.5 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

14.5.1 Material Litigation

Neither we nor our subsidiary company is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect and/or adverse effect on our Group's financial position or business as at 19 October 2007 (being the latest practicable date prior to the registration of this Prospectus).

14.5.2 Contingent Liabilities

Our Directors are not aware of any contingent liabilities as at 19 October 2007 (being the latest practicable date prior to the registration of this Prospectus) which have become enforceable or is likely to become enforceable, which in the opinion of our Directors, will or may substantially affect the ability of our Group to meet our obligations as and when they fall due.

14.6 FINANCIAL INSTRUMENT FOR HEDGING PURPOSES

The main areas of financial risks faced by our Group include the following:

14.6.1 Raw Material Price Risk

Raw material costs, in particularly PET resin, represent a significant portion of our Group's cost of sales. PET resin accounted for approximately 66.7% of the total raw material purchased by our Group in FYE 30 June 2007. As the PET resin is a petrochemical based raw materials, the prices of PET resin are generally linked to the prices of crude oil, which are in turn highly susceptible to price fluctuations.

We believe we are able to pass all or part of the additional costs arising from an increase in PET resin prices to our customers and we are able to cushion the effects of the increase in the prices of PET resin in the near-term by holding higher level of inventories of raw materials to act as a buffer against any unfavourable price fluctuations.

Notwithstanding that crude oil is a commodity and fluctuations in crude oil prices is likely to equally affect all still bottled water manufacturers whom use PET resins as a raw material, there is no assurance that adverse fluctuations in the price of PET resins would not affect our profitability adversely.

14.6.2 Foreign Currency Exchange Rate Risk

Our Group is exposed to foreign currency exchange rate risk as all of our export sales to Singapore are denominated in SGD. At present, our Group does not use any financial instruments to hedge the fluctuations in exchange rates between SGD and RM. Our Group has, nevertheless, opened two foreign currency accounts with our bankers in Singapore to facilitate the deposit of all our sales proceeds denominated in SGD into these bank accounts. Our management would closely monitor the exchange rate fluctuations and will only approve the conversion of the SGD denominated sale proceeds into RM within an acceptable or desirable range of exchange rates, in order to minimise our exposure to the foreign currency exchange rate risk.

Our management will continue to assess the need for the use of any hedging instruments or techniques if necessary, after taking into account the future amount of foreign currency involved, exposure period and the related transaction costs.

14.6.3 Interest rate risk

As at 19 October 2007, our total interest-bearing bank borrowings amounted to RM54.93 million. However, only approximately 23.4% of these bank borrowings are subject to floating interest rates.

Whilst our Company intends to use some of the proceeds from the Public Issue to repay our hire purchase loans as well as to reduce our working capital facilities, there may be a need for our Company to incur additional floating rate borrowings to fund some of the capital commitments and expansion of operations (please refer to Section 14.4 of this Prospectus for further details on our Group's capital commitments).

14.6.4 Credit risk

Our exposure to credit risk arises mainly from our trade receivable. The credit risk is controlled by the appropriate application of credit approvals, imposition of credit limits and regular monitoring of the trade receivable ageing. Historically, the provision required to be made by our management for doubtful debts has been relatively low, which is less than 0.1% of our Group's total revenue for the last 3 financial years up to FYE 30 June 2007. In addition, no significant amount of bad debts had been actually written-off during the last 3 financial years up to FYE 30 June 2007 due to non-collection of such bad debts.

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