

15. FUTURE FINANCIAL INFORMATION

15.1 CONSOLIDATED PROFIT FORECAST FOR FYE 30 JUNE 2008

Our Directors forecast that our consolidated PAT for the FYE 30 June 2008 (after taking into account the Flotation Scheme) will be as follows:

	Forecast for FYE 30 June 2008 (after the Flotation Scheme)
Revenue (RM'000)	46,822
Consolidated PBT (RM'000)	9,970
Taxation (RM'000)	(1,700)
Consolidated PAT (RM'000)	8,270
Add:- Realisation of negative goodwill	3,691
Net profit for the year	11,961
Issued and paid-up share capital	
- weighted average number of Shares in issue ('000) ⁽¹⁾	184,588
- enlarged number of Shares in issue upon Listing ('000)	200,000
Net EPS (sen) ⁽²⁾	
- based on the weighted average number of Shares in issue	4.48
- based on the enlarged number of Shares in issue upon Listing	4.13
Net PE Multiple ⁽³⁾	
- based on the weighted average number of Shares in issue	7.4
- based on the enlarged number of Shares in issue upon Listing	8.0
Net EPS (sen) ⁽⁴⁾	
- based on the weighted average number of Shares in issue	6.48
- based on the enlarged number of Shares in issue upon Listing	5.98
Net PE Multiple ⁽⁵⁾	
- based on the weighted average number of Shares in issue	5.1
- based on the enlarged number of Shares in issue upon Listing	5.5

Notes:

- (1) The weighted average number of Shares is computed based on the assumption that the Acquisition was completed on 1 July 2007 whilst the IPO will be completed by end of November 2007.
- (2) Calculated based on the forecast consolidated PAT of our Company for the FYE 30 June 2008 (before realisation of negative goodwill) divided by the weighted average number of Shares in issue or enlarged number of Shares in issue upon Listing respectively.
- (3) Calculated based on the IPO Price divided by the net EPS (before realisation of negative goodwill).
- (4) Calculated based on the forecast net profit for the year of our Company for the FYE 30 June 2008 divided by the weighted average number of Shares in issue or enlarged number of Shares in issue upon Listing respectively.
- (5) Calculated based on the IPO Price divided by the net EPS (based on net profit for the year).

You should refer to Section 15.2 of this Prospectus for the details of the principal bases and assumptions underlying the consolidated profit forecast, as set out in the appendix accompanying the Reporting Accountants' letter on the consolidated profit forecast.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

15.1.1 Directors' Analysis and Commentary on the Consolidated Profit Forecast

The revenue of our Group for the FYE 30 June 2008 is expected to increase by approximately RM5.04 million (or approximately 12.06%) from RM41.79 million to RM46.82 million. An analysis of the revenue forecast by geographical locations is set out below:

	Historical FYE 30 June 2007		Forecast FYE 30 June 2008 (After the Proposed Flotation Scheme)	
	RM '000	%	RM'000	%
Local	31,506	75.4	35,257	75.3
Export	10,279	24.6	11,565	24.7
Total	41,785	100.0	46,822	100.0

On the back of the expected increase in revenue, the PAT of our Group for the FYE 30 June 2008 (before realisation of negative goodwill) is forecast to increase by approximately RM1.08 million (or approximately 15.02%) from RM7.19 million to RM8.27 million.

Our Directors believe that the principal growth drivers for revenue and profitability for our Group for the FYE 30 June 2008 will include, amongst others, a combination of the following factors:

(a) *Increase in sales to new geographical markets*

At present, our Group's sales in Malaysia are mainly concentrated in the southern region of Peninsular Malaysia, namely Johor, Malacca and Negeri Sembilan. Although Amshore started to expand its sales coverage to Kuala Lumpur, Klang Valley in 2005, the sales contribution from these geographical locations were still minimal.

We believe that Malaysia will continue to be the key market for our products and there are still ample market opportunities for us to expand the local market to the remaining states not currently served by our Group in Peninsular Malaysia as well as East Malaysia. The market acceptance and market demand for our products in the local market have been encouraging in the last few years as evident from the steady increase in our Group's market share in the still bottled water market (up to 2 litres) from 2% in 2003 to 9.6% in 2006. Frost & Sullivan estimates that the Malaysian still bottled water market for the period from 2007 till 2013 is likely to remain optimistic, where the still bottled water market for the 2 litres and below segment is forecast to grow at a CAGR of 9.3% from 2007 to 2013, with the market size estimated to be RM271 million in 2007 and RM462 million by 2013. Accordingly, we envisage that the demand for our products will continue to grow in the local market for the next FYE 30 June 2008.

In addition, we also began exploring other new overseas markets such as Indonesia and United Arab Emirates to further expand our export market beyond Singapore. This overseas expansion strategy is also aimed at minimising the adverse impact on the Group in the event of economic volatility in any particular export country.

(b) *Increase in sales to new target market segment or OEM market*

Based on the Strategic Analysis of the Still Bottled Water Market in Malaysia and Singapore prepared by Frost & Sullivan, it is noted that the single largest market shift in the bottled water industry in recent years was the increasing trend of OEMs providing private labels. Bottled water manufacturers are tying-up with other established retailers, hoteliers, food chains and convenient stores to produce bottled water under the labels of these third parties.

15. FUTURE FINANCIAL INFORMATION *(Cont'd)*

Taking cognisance of such trend, we have been actively targeting hoteliers, highway operators, hypermarkets, established soft drink manufacturers, convenience stores and transport/ logistics operators to further expand our sales network.

It was also noted in the Frost & Sullivan's analysis that with an entire market shifting towards an OEM-manufacturing model, it can be presumed that the OEM market growth would mirror the growth of the entire Still Bottled Water Market (Up to 2 litres) in Malaysia, which is estimated to grow at a CAGR of 9.3% for the period from 2007 to 2013.

Based on the foregoing, our Board envisages that the OEM market will be one of the key growth areas which our Group will continue to focus on.

Our Directors confirm that the consolidated profit forecast and the underlying bases and assumptions as set out in Section 15.2 of this Prospectus have been reviewed by our Directors after due and careful enquiry. After having taken into account the future prospects of the still bottled water markets in Malaysia and Singapore, the future plans and strategies of our Group and our expected level of gearing, liquidity and working capital requirements, our Directors are of the opinion that the consolidated profit forecast is achievable under the prevailing market, operating and economic environment.

Notwithstanding the above, investors should note that the bases and assumptions upon which the consolidated profit forecast has been prepared cover future periods for which there are inherent risks. These bases and assumptions are subject to significant uncertainties and contingencies, which are often outside the control of our Company and our Directors. Accordingly, there is no assurance that the actual results of our Group will not differ materially from the consolidated profit forecast in the event that the market and operating conditions vary from those assumed by our Directors due to factors outside the control of our Directors.

Further, as discussed in Section 5.2.2 of this Prospectus, our Board notes that the demise of the Founder ("Event") has not adversely affected the financial performance, position and business operations of our Group at this juncture. Our Board has also carefully re-assessed the bases and assumptions underlying our consolidated profit forecast in light of the Event and our Board is of the view that the consolidated profit forecast remains reasonable and achievable, premised on the assumption that the Event is not expected to adversely affect the level of business dealings and financing on which the customers, suppliers and financiers are prepared to conduct with our Group.

Notwithstanding the above, investors should note that there is a considerable degree of subjective judgement involved in making the aforesaid underlying assumption. It is not unlikely for our customers, suppliers and financiers to observe and evaluate the business activities and affairs of our Group over a period of time to determine their level of business dealings and financing they are prepared to conduct with our Group subsequent to the Event. In this connection, the achievability of the consolidated profit forecast is subject to uncertainties and risks.

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15. FUTURE FINANCIAL INFORMATION (Cont'd)

15.2 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST AND PRINCIPAL ASSUMPTIONS FOR THE CONSOLIDATED PROFIT FORECAST

Shamsir Jasani Grant Thornton 

Chartered Accountants

REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 30 JUNE 2008
(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

We have reviewed the consolidated profit forecast of Bio Osmo Berhad ("Bio Osmo") and its subsidiary company (" Bio Osmo Group") for the financial year ending 30 June 2008 as set out in the accompanying statements (which we have stamped for the purpose of identification) in accordance with the standard applicable to the review of forecast. The consolidated profit forecast has been prepared for inclusion in the Prospectus of Bio Osmo to be dated 16 November 2007 in connection with the listing of Bio Osmo on the Second Board of Bursa Malaysia Securities Berhad ("Securities Exchange") ("Flotation Scheme") and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors of Bio Osmo as set out in the accompanying statement (which we have stamped for the purpose of identification) and is presented on a basis consistent with the accounting policies adopted and disclosed by the subsidiary company acquired, Amshore Holdings Sdn Bhd ("AMSHORE"), in its audited financial statements for the financial year ended 30 June 2007. The Directors of Bio Osmo are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

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15. FUTURE FINANCIAL INFORMATION (Cont'd)

Shamsir Jasani Grant Thornton 

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of Bio Osmo, as set out in the accompanying statements, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors of Bio Osmo and is presented on a basis consistent with the accounting policies adopted and disclosed by the subsidiary company acquired, AMSHORE, in its audited financial statements for the financial year ended 30 June 2007.

The accompanying forecast and this letter have been prepared solely for inclusion in the Prospectus of Bio Osmo in connection with the Flotation Scheme. This letter should not be reproduced, referred to in any other document, 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

15. FUTURE FINANCIAL INFORMATION (Cont'd)

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

CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2008

Barring unforeseen circumstances, the Directors forecast that the Bio Osmo Group's results for the financial year ending 30 June 2008 will be as follows:-

	Forecast 2008 RM'000
Revenue	46,822
Profit before taxation	9,970
Tax expenses	(1,700)
Profit after taxation	8,270
Add:- Realisation on negative goodwill	3,691
Net profit for the year	11,961
Weighted average number of ordinary shares in issue ('000) * &	184,588
Based on the weighted average number of shares in issue - Basic net earning per share (RM) #	0.06

* Calculate based on the issuance of 162,990,990 new Shares for the Acquisition on 1 July 2007.

& Assuming the issuance of 37,009,000 new Shares for the Public Issue to take place by end of November 2007.

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

Stamped for the purpose of identification on:

24 OCT 2007

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15. FUTURE FINANCIAL INFORMATION (Cont'd)

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

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2008 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit forecast are set out as below:-

(a) The Flotation Scheme is expected to be completed and implemented by end of November 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 were 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
- 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 Industry ("MITI") for the purpose of compliance with the National Development Policy.

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15. FUTURE FINANCIAL INFORMATION (Cont'd)

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

CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2008 (CONT'D)

The specific bases and assumptions made in the preparation of the consolidated profit forecast are set out as below (Cont'd):-

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

The gross proceeds from the Public Issue will be utilised within 18 months from date of listing as follows:-

	RM'000
Expansion of operation	5,000
Part settlement of hire purchase payables	4,000
Working capital	1,213
Estimated listing expenses	2,000
	12,213
	12,213

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.

(iii) **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.

- (b) For accounting purposes, the Acquisition of AMSHORE is deemed to be completed on 1 July 2007 and were accounted for using the purchase method of consolidation.

The excess of the fair values of the net assets acquired over the consideration paid is recognised in the income statement as it arises.

- (c) The adoption of the new and revised Standards and Interpretation issued by MASB that are relevant to their operation do not have significant financial impact on the Bio Osmo Group.
- (d) Significant inter-company transactions have been eliminated on the Bio Osmo Group.

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15. FUTURE FINANCIAL INFORMATION (Cont'd)

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

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2008 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit forecast are set out as below (Cont'd): -

- (e) Revenue has been forecasted to increase by RM 5.04 million or 12.06% of the total revenue in the forecast year as compared to previous year.

The success rate of securing new orders from potential customers will be achieved according to plan and will be dependent on the ability of the Group to secure new orders that are being forecasted.

However, the outcome of the procurement of these forecasted orders is uncertain as this is based on the management's judgement and expectation taking into consideration key factors such as pricing competitiveness and marketing capability.

- (f) The anticipated gross profit margin of the Group is expected to be maintained at an average rate of 41.14%.
- (g) Existing financing facilities will remain available to the Bio Osmo Group and interest rates will not change significantly from those presently prevailing. In addition, the Bio Osmo Group will be able to obtain financing facilities at the existing interest rates.
- (h) An estimated listing expenses of RM2 million will be incurred in relation to the Initial Public Offering and to be paid out from the proceeds of the Public Issue. The listing expenses will be set off against share premium account.
- (i) Statutory income tax rate applicable to Bio Osmo Group will be at 26%. The subsidiary, AMSHORE, will continue to claim for reinvestment allowances under the promotion of Investment Act, 1986.
- (j) No dividend will be declared in the forecast year.

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15. FUTURE FINANCIAL INFORMATION (Cont'd)

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

**GENERAL BASES AND ASSUMPTIONS TO THE CONSOLIDATED PROFIT FORECAST FOR
THE FINANCIAL YEAR ENDING 30 JUNE 2008**

1. There will be no material changes in the Bio Osmo Group structure or principal activities or composition of the Group subsequent to the admission to the Second Board of Securities Exchange.
2. There will be no significant changes in the prevailing economic, technology and political climate in Malaysia and elsewhere which will adversely affect the activities and the demand, saleability and pricing of its products or the markets in which it operates which will adversely affect the Bio Osmo Group's performance and the business of its major customers.
3. There will be no material changes in present legislation, Government policies or regulations in Malaysia and elsewhere, the regulations of the Securities Exchange and guidelines of the regulatory authorities affecting the Bio Osmo Group's activities or the markets in which it operates.
4. There will be no significant changes in the rates, basis of duties, levies and taxes affecting the Bio Osmo Group's activities or the markets in which it operates.
5. There will not be any material fluctuation in interest rates and exchange rates of foreign currencies against Ringgit Malaysia.

The major foreign exchange rates are assumed to be as follows:-

	RM
1 Singapore Dollar	2.25
1 US Dollar	3.45

6. Inflation is assumed at the prevailing rate and all the forecast sales, purchases, and expenses have included the inflation factor.
7. There will be no material deviation in accounting, management and costing policies adopted by the Bio Osmo Group that will adversely affect the performance of the Bio Osmo Group.
8. There will be no significant changes in the forecasted price of raw materials, cost of goods purchased, labour costs and other incidental cost which will adversely affect the Bio Osmo Group's profitability. There will be no significant shortage in skilled and unskilled expertise or labour required.
9. Notwithstanding the demise of the late Mr. Lim Tian Chai ("the founder of Bio Osmo Group"), there will be no material changes in the existing key personnel and management of the Bio Osmo Group that will adversely affect the performance of the Bio Osmo Group.
10. There will be no major breakdowns or disruption in the operational and manufacturing facilities, industrial disputes, disruption from supplies of materials or other abnormal factor both domestic and overseas, which will adversely affect the Bio Osmo Group's operations.

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15. FUTURE FINANCIAL INFORMATION (Cont'd)

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

**GENERAL BASES AND ASSUMPTIONS TO THE CONSOLIDATED PROFIT FORECAST FOR
THE FINANCIAL YEAR ENDING 30 JUNE 2008 (CONT'D)**

11. There will be no material acquisition or disposal of property, plant and equipment and capital expenditure other than those taken into consideration in the forecast and there will be no major delays or variations in the implementation of approved capital expenditure program of the Bio Osmo Group.
12. The Bio Osmo Group will not engage in any material litigation and there will be no legal proceedings against Bio Group which will adversely affect the activities and performance of the Bio Osmo Group or give rise to any contingent liabilities which will materially affect the financial position and business of the Bio Osmo Group.
13. The Bio Osmo Group will achieve the selling prices as per forecasted and the targeted sales mix of the Bio Osmo Group's products and its customers segmentation will be achieved as planned. Sales and related costs as forecasted by the Directors, take into consideration the present market condition of selling prices and related costs of the Bio Osmo Group are consistent with the business plans of the Bio Osmo Group. There would be no significant changes to the prices of products, labour and operating costs of the Bio Osmo Group.
14. Existing and future financing facilities will remain available to the Bio Osmo Group with no significant changes in interest rates and repayment terms.
15. There will not be material loss of the Bio Osmo Group's existing customers that will materially affect the revenue of the Group. The Group will not experience exceptional level of bad or doubtful debts.
16. There will be no significant changes to the existing and future arrangements and collaborations with the existing and identified customers of the Bio Osmo Group.
17. All existing licenses and permits granted to the Bio Osmo Group will not be withdrawn and will be renewed by the relevant authorities. All licenses and permits required by the Bio Osmo Group in respect of future operations will be obtained.
18. The Bio Osmo Group products will not be obsolete and the Group endeavour to purchase and manufacture goods that keep pace with amongst others, emerging client needs and preferences. There will not be significant defects, errors, or incidents that would materially affect the business and/or profitability of the Bio Osmo Group.
19. There will not be any substantial impairment to the carrying value of the Group's property, plant and equipment and other non-current assets.
20. The timing and quantum of forecasted income and costs will be generated and incurred as planned.
21. The Bio Osmo Group will fulfill the customers' requirements and contractual obligations.

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24 OCT 2007

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15. FUTURE FINANCIAL INFORMATION (Cont'd)**15.3 SENSITIVITY ANALYSIS**

The consolidated profit forecast has been prepared based on a number of estimates and assumptions that are subject to uncertainties and contingencies, many of which are beyond the control of our Company and our Directors.

Set out below is the sensitivity analysis of the consolidated revenue and PAT to variations in selected key variables or assumptions, such as sales volume and cost of sales, assumed in the consolidated profit forecast for the FYE 30 June 2008.

The changes in these key variables or assumptions as set out in this sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced by our Group. Further, the estimated impact of the changes in each of the key variables or assumptions has been calculated in isolation from changes in other variables or assumptions to illustrate its likely impact on the consolidated revenue, PBT and PAT of our Company. In practise, the impact of the changes in these key variables may be off-set amongst each other or may also be additive to each other. Accordingly, care must be taken in interpreting this sensitivity analysis.

Key variable/ assumption	As forecast (RM'000)	Change in variable/ assumption	Impact on the consolidated profit forecast for FYE 30 June 2008		
			Revenue (RM'000)	PBT (RM'000)	PAT ⁽¹⁾ (RM'000)
Sales	46,822	+ 10%	51,504	10,967	9,097
		+ 5%	49,163	10,469	8,684
		No change	46,822	9,970	8,270
		- 5%	44,481	9,472	7,857
		- 10%	42,140	8,973	7,443
Cost of sales	27,558	+ 10%	46,822	7,214	5,514
		+ 5%	46,822	8,592	6,892
		No change	46,822	9,970	8,270
		- 5%	46,822	11,348	9,648
		- 10%	46,822	12,726	11,026

Note:

(1) Excluding the non-recurring gain arising from realisation of negative goodwill.

As illustrated above, our Group will remain profitable in the forecast year despite a 5% and 10% downward variation in our Group's revenue and/or cost of sales.

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15. FUTURE FINANCIAL INFORMATION (Cont'd)**15.4 DIVIDEND FORECAST**

Based on the forecast consolidated PAT of our Company for the FYE 30 June 2008 as set out in Section 15.2 above and on the assumption that the present basis for calculating taxation and the taxation rates remain unchanged, our Board proposes to declare gross dividends of 5% per Share based on the enlarged issued and paid-up share capital of 200,000,000 Shares for the FYE 30 June 2008:

FYE 30 June 2008	
Dividend per Share (sen)	
- Gross	1.00
- Net	0.74
Dividend yield (%) ⁽¹⁾	
- Gross	3.03
- Net	2.24
Net Dividend cover (times) ⁽²⁾	5.6

Notes:

- (1) Calculated based on gross/net dividend per Share divided by the IPO Price.
- (2) Calculated based on the forecast consolidated PAT of our Company for the FYE 30 June 2008 (before adjusting for realisation of negative goodwill) divided by the aggregate net dividend proposed of RM1.48 million.

You should note that our Company is principally an investment holding company and the core operations of our Group are carried out through Amshore. Accordingly, our Company's level of income and ability to pay dividends depends, to a certain extent, on the amount of dividends and other distributions received from Amshore. The payment of future dividends by Amshore is, in turn dependent upon a number of factors, including the following:

- (i) the expected results of operations and financial conditions of Amshore;
- (ii) the availability of retained earnings, cash flows and tax credits at Amshore level as well as the level of gearing and ability of Amshore to service its debt;
- (iii) the projected levels of capital expenditure and other investment plans of Amshore;
- (iv) restrictions on payment of dividend that may be imposed on Amshore by financing agreements; and
- (v) any other factors that the board of directors of Amshore may consider to be relevant.

Further, future dividend payments will be waived if:

- (i) our Group is in a loss position for the relevant financial year; or
- (ii) our Group has insufficient cash flow to meet any dividend payments.

Our Directors may at their discretion waive any future dividend payments as and when deemed necessary in the best interests of our Group.

16. ACCOUNTANTS' REPORT

Shamsir Jasani Grant Thornton 

Chartered Accountants

**ACCOUNTANTS' REPORT
(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 ("BIO OSMO" OR "THE COMPANY") AND ITS SUBSIDIARY
COMPANY ("BIO OSMO GROUP" OR "THE GROUP")
ACCOUNTANTS' REPORT**

1. INTRODUCTION

This report has been prepared by us, an Approved Company Auditor for inclusion in the Prospectus of Bio Osmo to be dated 16 November 2007 in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Bio Osmo on the Second Board of Bursa Malaysia Securities Berhad ("Securities Exchange") which includes the following proposals:-

1.1 Acquisition

Acquisition of the entire issued and paid-up share capital of Amshore Holdings Sdn Bhd ("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.

1.2 Initial Public Offering

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 Offeror pursuant to the Offer for Sale as set out below:

Shamsir Jasani Grant Thornton (AF:0737)

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16. ACCOUNTANTS' REPORT *(Cont'd)*

Shamsir Jasani Grant Thornton 

1.2 Initial Public Offering (Cont'd)

1.2.1 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 on application comprising:-

- (a) 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 Malaysian public, of which at least 30% is to be set aside strictly for Bumiputera investors;
- (b) 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;
- (c) 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
- (d) 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.

1.2.2 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.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **2. GENERAL INFORMATION****2.1 Background**

Bio Osmo was incorporated in Malaysia under the Companies Act, 1965 on 13 July 2006 as a private limited company under the name of Bio Osmo Sdn Bhd. Subsequently, it was converted into a public limited company on 24 January 2007.

The principal activity of the Company is investment holding. There has been no significant change in the nature of this activity during the financial period under review.

2.2 Share capital

The changes in the Company's authorised share capital since its date of incorporation were as follows:-

Date of creation	No. of ordinary shares	Par value RM	Share type	Cumulative total RM
13 July 2006	100,000	1.00	Ordinary	100,000
26 October 2006	500,000	0.20	Subdivision of par value from RM1.00 to RM0.20 per share	100,000
10 July 2007	499,500,000	0.20	Ordinary	100,000,000

The changes in the Company's issued and fully paid-up share capital since its date of incorporation were as follows:-

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative total RM
13 July 2006	2	1.00	Subscribers' shares	2
26 October 2006	10	0.20	Subdivision of par value from RM1.00 to RM0.20 per share	2
16 July 2007	162,990,990	0.20	Shares issued as consideration for the acquisition of Amshore	32,598,200

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **2.3 Background information of subsidiary company**

The subsidiary company of the Company is as follows:-

Name	Effective ownership	Principal activities	Date and place of incorporation
Amshore Holdings Sdn. Bhd ("Amshore")	100%	Engaged in the business of processing, manufacturing and selling of drinking water	5 June 1998, Malaysia

The changes in the authorised share capital and issued and fully paid-up share capital of Amshore since the date of incorporation were as follows:-

Authorised share capital

Date of creation	No. of shares	Par value RM	Cumulative total RM
05.06.1998	100,000	1.00	100,000
20.09.2000	400,000	1.00	500,000
29.12.2001	500,000	1.00	1,000,000
03.08.2002	2,000,000	1.00	3,000,000
03.08.2002	2,000,000	1.00	5,000,000
02.08.2005	5,000,000	1.00	10,000,000
11.01.2007	15,000,000	1.00	25,000,000

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **2.3 Background information of subsidiary company (Cont'd)****Issued and fully paid-up share capital**

Date of allotment	No. of shares	Par value RM	Consideration	Cumulative total RM
05.06.1998	2	1.00	Subscribers' shares	2
08.06.1998	99,998	1.00	Cash	100,000
20.09.2000	400,000	1.00	Cash	500,000
29.12.2001	500,000	1.00	Cash	1,000,000
05.08.2002	2,000,000	1.00	Cash	3,000,000
16.12.2005	3,000,000	1.00	Bonus Issues	6,000,000
13.01.2006	2,000,000	1.00	Cash	8,000,000
11.01.2007	2,738,602	1.00	Cash	10,738,602

3. FINANCIAL STATEMENTS AND AUDITORS**A. Bio Osmo**

The financial statements of Bio Osmo for the financial period ended 30 June 2007 were audited by us and were not subject to any qualification.

B. Amshore

The financial statements of Amshore for the financial year ended 30 June 2005 were audited by another firm of auditors, Horwath whilst the financial statements for the financial year ended 30 June 2006 and 30 June 2007 were audited by us. All financial statements were reported without any qualification.

The auditors' reports of the financial statements of Bio Osmo and Amshore for the relevant financial years and period under review are set out in Appendix I, II and III respectively.

16. ACCOUNTANTS' REPORT *(Cont'd)*

Shamsir Jasani Grant Thornton 

3.1. Accounting policies and standards

The accounting policies adopted in the preparation of this report are set out in section 7 and are consistent with the accounting policies adopted by Bio Osmo Berhad and its subsidiary company in their latest audited financial statements.

There have been no material change in accounting policies of the Bio Osmo Berhad and its subsidiary company during the financial period/years under review.

The financial information presented in this report is based on the audited financial statements of Amshore which have been prepared in accordance with applicable Malaysia Accounting Standard Board ("MASB") approved accounting standards in Malaysia.

3.2 Dividends

Bio Osmo Berhad and its subsidiary company has not paid or declared dividends for the financial period/years under review.

3.3 Audited financial statements

The acquisition of Amshore by Bio Osmo was only completed subsequent to the financial year ended 30 June 2007. Accordingly, the consolidated audited financial statements of Bio Osmo were not prepared for the relevant financial period.

The summarised audited financial statements of Bio Osmo and Amshore are shown in Sections 4 to 5 respectively.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **4. BIO OSMO BERHAD****4.1 Summarised results**

	Financial period commencing from 13 July 2006 to 30 June 2007 RM'000
Revenue	-
Cost of sales	-
Gross profit	-
Other operating income	-
Administrative expenses	(5)
Selling and distribution expenses	-
Loss from operations	(5)
Finance costs	-
Loss before taxation	(5)
Taxation	-
Net loss for the financial period	(5)
Weighted average number of ordinary shares in issue ('000)	*
Earnings per share (RM)	
- Gross	(500)
- Net	(500)

* Share capital of RM2 consists of 10 ordinary shares of RM0.20 each.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **4. BIO OSMO BERHAD – CONT'D****4.2 Summarised balance sheets**

	As at 30/06/2007 RM'000
SHARE CAPITAL	**
ACCUMULATED LOSS	(5)
Total shareholders' equity	(5)
Represented by :-	
CURRENT ASSETS	
Cash and bank balances	-
Total current assets	-
CURRENT LIABILITIES	
Other payables and accruals	5
Total current liabilities	5
NET CURRENT LIABILITIES	(5)
	(5)
Net tangible liability	(5)
Net tangible liability per share (RM)	(500)

** Share capital of RM2 consists of 10 ordinary shares of RM0.20 each.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **4. BIO OSMO BERHAD -- CONT'D****4.3 Statement of Changes in Equity**

	<u>Share Capital</u> RM'000	<u>Accumulated loss</u> RM'000	<u>Total</u> RM'000
At date of incorporation	**	-	**
Net loss for the period	-	(5)	(5)
Balance as at 30 June 2007	**	(5)	(5)

** Share capital of RM2 consists of 10 ordinary shares of RM0.20 each.

4.4 Statement of Cash Flows

Financial period commencing from 13 July 2006 to 30 June 2007 RM'000

CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation	(5)
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Changes in working capital:-

Payables	5
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Net cash generated from operating activities	-
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CASH FLOW FROM INVESTING ACTIVITY

Proceeds from issuance of shares	**
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Net cash generated from investing activity	**
--	----

CASH AND CASH EQUIVALENTS

At date of incorporation/At end of year	#
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** Share capital of RM2 consists of 10 ordinary shares of RM0.20 each.

Cash and cash equivalents of RM2.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5. AMSHORE HOLDINGS SDN BHD****5.1 Summarised results**

Financial years ended	Note	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2007 RM'000
Revenue	5.1.1	17,656	26,259	41,785
Cost of sales		(11,441)	(15,446)	(24,330)
Gross profit		6,215	10,813	17,455
Other operating income		49	85	359
Administrative expenses		(463)	(925)	(2,776)
Selling and distribution expenses		(366)	(1,226)	(2,329)
Profit from operations		5,435	8,747	12,709
Finance costs		(357)	(577)	(3,430)
Profit before taxation		5,078	8,170	9,279
Taxation		(567)	(1,391)	(2,084)
Net profit for the financial year		4,511	6,779	7,195
Effective tax rate (%)	5.1.2	11.17	18.65	22.63
Gross profit margin (%)		35.20	41.18	41.77
Pre-tax profit margin (%)		28.76	31.11	22.64
Interest cover ratio (times)		16.62	17.15	3.83
Gross dividend rate (%)		-	-	-
After tax return on shareholders' fund (%)		43.04	35.19	19.83
Weighted average number of ordinary shares in issue ('000)		3,000	6,926	9,283
Earnings per share (RM)	5.1.3			
- Gross		1.69	1.18	1.00
- Net		1.50	0.98	0.78

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.1.1 Revenue**

Revenue represents the invoiced value of goods sold less trade discounts and returns.

5.1.2 Effective tax rate

Effective tax rate is lower than the statutory tax rate for all the financial years under review mainly due to the availability of reinvestment allowances.

5.1.3 Earnings per share

The basic gross and net earnings per share are calculated based on the profit before and after taxation attributable over the weighted average number of ordinary shares in issue during the financial years.

5.2 Summarised balance sheets

Years ended	Note	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2007 RM'000
SHARE CAPITAL		3,000	8,000	10,739
SHARE PREMIUM		-	-	7,094
RETAINED PROFIT		7,482	11,261	18,456
Total shareholders' equity		10,482	19,261	36,289
FINANCE PAYABLES	5.2.1	-	410	5,795
TERM LOANS	5.2.2	599	7,222	42,318
DEFERRED TAXATION	5.2.3	765	1,106	3,106
		11,846	27,999	87,508
Represented by :-				
PROPERTY, PLANT AND EQUIPMENT	5.2.4	7,189	24,426	61,372
INVESTMENT	5.2.5	-	-	3,500
CURRENT ASSETS				
Inventories	5.2.6	3,024	2,011	3,054
Trade receivables	5.2.7	3,781	4,727	10,819
Other receivables, deposits and prepayments	5.2.8	1,217	5,182	7,880
Amount due from a related party	5.2.9	44	-	-
Amount due from a Director	5.2.10	1,478	-	-
Fixed deposits with licensed banks	5.2.11	1,326	1,419	-
Tax recoverable		-	-	1,150
Cash and bank balances		98	609	10,051
Total current assets		10,968	13,948	32,954

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.2 Summarised balance sheets (Cont'd)**

Years ended	Note	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2007 RM'000
CURRENT LIABILITIES				
Trade payables	5.2.12	607	1,347	1,674
Other payables and accruals	5.2.13	490	664	2,349
Bank overdrafts		353	469	-
Term loans	5.2.2	198	695	985
Finance payables	5.2.1	579	218	1,725
Short term borrowings	5.2.14	3,507	5,965	3,585
Taxation		577	1,017	-
Total current liabilities		6,311	10,375	10,318
NET CURRENT ASSETS				
		4,657	3,573	22,636
		11,846	27,999	87,508
NTA per ordinary share (RM)		3.49	2.41	3.38
Current ratio (times)		1.74	1.34	3.19
Gearing ratio (times)		0.50	0.78	1.50
Inventory turnover period (month)		2.43	1.96	1.25
Trade receivable turnover period (month)		1.70	1.94	2.23
Trade payable turnover period (month)		0.47	0.76	0.75

5.2.1 Finance payables

	2005 RM'000	2006 RM'000	2007 RM'000
Payable within 1 year	205	259	2,186
Payable after 1 year but not later than 5 years	445	443	6,420
	650	702	8,606
Less: Interest-in-suspense	(71)	(74)	(1,086)
	579	628	7,520
Present value of hire purchase			
- within 1 year	579	218	1,725
- after 1 year but not later than 5 years	-	410	5,795
	579	628	7,520

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.2.2 Term loans**

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
Unsecured:			
Term Loan	-	-	35,000
Secured:			
Term loan 1	347	-	-
Term loan 2	450	283	-
Term loan 3	-	365	303
Term loan 4	-	1,774	-
Term loan 5	-	5,495	-
Term loan 6	-	-	8,000
	<u>797</u>	<u>7,917</u>	<u>8,303</u>
Total	797	7,917	43,303
Repayable within 12 months (included under current liabilities)	<u>(198)</u>	<u>(695)</u>	<u>(985)</u>
	<u>599</u>	<u>7,222</u>	<u>42,318</u>

5.2.3 Deferred taxation

Presented after appropriate offsetting as follows:-

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
Deferred tax assets	(48)	(48)	-
Deferred tax liabilities	<u>813</u>	<u>1,154</u>	<u>3,106</u>
	<u>765</u>	<u>1,106</u>	<u>3,106</u>

The components of deferred tax assets and liabilities during the financial years prior to offsetting are as follows:-

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
Deferred tax liabilities			
Temporary differences on carrying amount of property, plant and equipment with their tax base	<u>813</u>	<u>1,154</u>	<u>3,106</u>
Deferred tax assets			
Provision for doubtful debts	<u>(48)</u>	<u>(48)</u>	<u>-</u>

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.2.4 Property, plant and equipment**

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
<u>Net Book Value</u>			
Freehold land	365	365	4,138
Buildings	845	840	12,415
Plant and machinery	5,827	10,219	36,965
Office equipment, furniture and fittings and Renovation	152	162	1,120
Construction in progress	-	12,840	6,734
	<u>7,189</u>	<u>24,426</u>	<u>61,372</u>

5.2.5 Investment

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
Unquoted bonds, at cost	-	-	3,500

5.2.6 Inventories

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
At cost			
Raw materials	1,751	1,152	2,353
Finished goods	1,273	859	701
	<u>3,024</u>	<u>2,011</u>	<u>3,054</u>

5.2.7 Trade receivables

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
Trade receivables	3,951	4,897	10,819
Provision for doubtful debts	(170)	(170)	-
	<u>3,781</u>	<u>4,727</u>	<u>10,819</u>

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.2.7 Trade receivables (cont'd)****Trade receivables detailed ageing report as at 30 June 2007**

	Within credit period				Total RM'000
	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	> 90 days RM'000	
Trade receivables	4,617	3,871	2,225	106	10,819
Provision for doubtful debts	-	-	-	-	-
Total net trade receivables	4,617	3,871	2,225	106	10,819
% of total trade receivables	43	36	20	1	100

5.2.8 Other receivables, deposits and prepayment

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
Amount owing by a former director	745	-	-
Deposit for tender of property	399	-	-
Other receivables	20	207	518
Deposits and prepayments	53	4,975	7,362
	<u>1,217</u>	<u>5,182</u>	<u>7,880</u>

5.2.9 Amount due from a related party

The amount due from a related party is unsecured, interest free and has no fixed term of repayment.

5.2.10 Amount due from a Director

The amount due from a Director is unsecured, interest free and has no fixed term of repayment.

5.2.11 Fixed deposits with licensed banks

The fixed deposits have been pledged to banks as security for banking facilities granted to Amshore.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.2.12 Trade payables**

Trade payables detailed ageing report as at 30 June 2007

	Within credit period			Exceeded credit period	Total RM'000
	0 - 30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	> 90 days RM'000	
Trade payables	668	481	351	174	1,674
% of trade payables	40	29	21	10	100

5.2.13 Other payables and accruals

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
Other payables	395	445	1,060
Accruals	56	95	1,065
Payroll liabilities	39	124	224
	<u>490</u>	<u>664</u>	<u>2,349</u>

5.2.14 Short term borrowings

	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000
Secured:-			
Bankers' acceptances	1,548	4,438	3,585
Trust receipts	1,959	1,527	-
	<u>3,507</u>	<u>5,965</u>	<u>3,585</u>

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.3 Statements of changes in equity**

	Share capital RM'000	Share premium RM'000	Retained profit RM'000	Total RM'000
At 1 July 2004	3,000	-	2,971	5,971
Net profit for the financial year	-	-	4,511	4,511
At 30 June 2005	3,000	-	7,482	10,482
Issuance of shares	2,000	-	-	2,000
Bonus issue	3,000	-	(3,000)	-
Net profit for the financial year	-	-	6,779	6,779
At 30 June 2006	8,000	-	11,261	19,261
Issuance of shares	2,739	7,094	-	9,833
Net profit for the financial year	-	-	7,195	7,195
At 30 June 2007	10,739	7,094	18,456	36,289

5.4 Cash flow statements

Years ended	Note	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2007 RM'000
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CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation 5,078 8,170 9,279

Adjustments for:-

Bad debt written off - 12 -

Depreciation 835 1,000 3,441

Interest expenses 325 506 3,275

Interest income (49) (35) (120)

Loss on disposal of property, plant and equipment - - 4

Provision for doubtful debt 58 - -

Provision for doubtful debt no longer required - - (170)

Operating profit before changes in working capital 6,247 9,653 15,709

Changes in working capital:-

Inventories (1,410) 1,013 (1,043)

Payables 372 914 1,392

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.4 Cash flow statements (Cont'd)**

Years ended	Note	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2007 RM'000
Receivables		(2,622)	(4,881)	(8,620)
Related party		-	44	-
Director		(2,561)	1,478	-
Cash generated from operations		26	8,221	7,438
Tax paid		(8)	(652)	(2,251)
Interest paid		(325)	(506)	(2,655)
Interest received		49	35	120
Net cash (used in)/generated from operating activities		(258)	7,098	2,652
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		-	-	25
Purchase of property, plant and equipment		(561)	(18,009)	(31,573)
Acquisition of investment		-	-	(3,500)
Net cash used in investing activities		(561)	(18,009)	(35,048)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares		-	2,000	9,833
Net withdrawal/(placement) of fixed deposits		463	(92)	1,419
Net drawdown of term loans		390	7,118	386
Drawdown of Collateralised Loan Obligation ("CLO") fund		-	-	35,000
Net drawdown/(repayment) of bankers' acceptances		8	2,890	(853)
Repayment of hire purchase		(141)	(179)	(1,950)
Net repayment of trust receipts		(29)	(431)	(1,528)
Net cash generated from financing activities		691	11,306	42,307
CASH AND CASH EQUIVALENTS				
Net changes		(128)	395	9,911
At beginning of year		(127)	(255)	140
At end of year	A	(255)	140	10,051

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **5.4 Cash flow statements (Cont'd)****A. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statements comprise the following balance sheets amounts:-

Years ended		30/06/2005 RM'000	30/06/2006 RM'000	30/06/2007 RM'000
Bank overdraft		(353)	(469)	-
Cash and bank balances		98	609	10,051
		<u>(255)</u>	<u>140</u>	<u>10,051</u>

6. Financial Risk Management Policies

The Group financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within policies reported to and approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of foreign currency risks by monitoring and approving requisitions which involve foreign currencies.

(b) Interest rate risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

(c) Credit risk

The management will monitor the credit risk on going basis by reviewing the debtors ageing. Fixed deposits are placed only with established banks.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **6. Financial Risk Management Policies (Cont'd)****(d) Liquidity and cash flow risks**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(e) Market risk

For key product purchases, the Group establishes floating and fixed priced levels that the Group considers acceptable and enters into physical supply or derivative agreements, where necessary, to achieve these levels. The Group does not face significant exposure from the risk from changes in debt and equity prices.

7. Summary of significant accounting policies

The significant accounting policies adopted by Bio Osmo and Amshore are as follows:-

(i) Basis of preparation of financial statements

The financial statements of the Company and Amshore are prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved 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.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **7. 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 Note 7 (vi). 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 Note 7 (vi).

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.

(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

16. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton **7. Summary of significant accounting policies** (Cont'd)**(vi) Impairment of assets** (Cont'd)

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 First-In First-Out ("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.

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.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **7. Summary of significant accounting policies (Cont'd)****(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.

(xiii) Provision for 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.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **7. Summary of significant accounting policies (Cont'd)****(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.

(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.

16. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **7. Summary of significant accounting policies (Cont'd)****(xv) Foreign currency translation (Cont'd)**

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

	<u>2005</u> RM	<u>2006</u> RM	<u>2007</u> 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.

(xviii) 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.

16. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. Summary of significant accounting policies (Cont'd)

(xiv) 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.

8. Restatements to the audited financial statements

No restatement has been made to the audited financial statements of Amshore in the preparation of this report.

9. Subsequent events


Saved for the flotation scheme as disclosed in Section 1 and the demise of the late Mr. Lim Tian Chai ("the founder of the Bio Osmo Group), there were no other significant events between the date of the last financial statements used in the preparation of the report and the date of the report which will affect materially the contents of this report.

10. Audited financial statements

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2007.

Yours faithfully,


~~SHAMSIR JASANI GRANT THORNTON~~
Firm Number: AF 0737
Chartered Accountants


DATO' N.K. JASANI
Approval Number: 708/03/08(J/PH)
Partner of the Firm

16. ACCOUNTANTS' REPORT (Cont'd)



APPENDIX I

Horwath (AF No 1018)
Johor Bahru Office
Chartered Accountants

30-04 Level 30
Menara Landmark
Mail Box 171
12 Jalan Ngee Heng
80000 Johor Bahru

607.278.1268
607.278.1238 Fax
horwathjb@horwathjb.com.my

**REPORT OF THE AUDITORS TO THE MEMBERS OF
AMSHORE HOLDINGS SDN. BHD.**

Company No: 463528-P

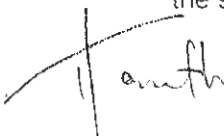
We have audited the financial statements set out on pages 8 to 33. The preparation of the financial statements is the responsibility of the Company's directors.

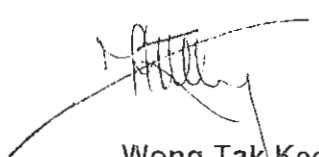
It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Company at 30 June 2005 and its results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.


Horwath
Firm No: AF 1018
Chartered Accountants


Wong Tak Keong
Approval No: 1966/07/07 (J)
Partner

Johor Bahru
26 OCT 2005

Page 7

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

Shamsir Jasani Grant Thornton 

Chartered Accountants

Company No: 463528 P

REPORT OF THE AUDITORS TO THE MEMBERS OF

AMSHORE HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 10 to 32 of Amshore Holdings Sdn. Bhd..

These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Company as at 30 June 2006 and of the results and cash flows of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

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16. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX II

Shamsir Jasani Grant Thornton 

Company No: 463528 P

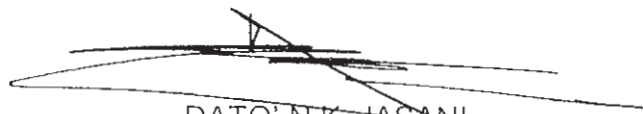
and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

The financial statements of the Company as of 30 June 2005 were audited by another auditors whose report dated 26 October 2005 expressed an unqualified opinion on those financial statements.



SHAMSIR JASANI GRANT THORNTON
(NO. AF :0737)
CHARTERED ACCOUNTANTS



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

Kuala Lumpur
18 September 2006

16. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX III (A)

Shamsir Jasani Grant Thornton 

Chartered Accountants

Company No: 740838 A

REPORT OF THE AUDITORS TO THE DIRECTORS OF
BIO OSMO BERHAD
(Incorporated in Malaysia)

We have audited the financial statements of the Company set out on pages 5 to 8 of Bio Osmo Berhad.

These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

the financial statements have been properly drawn up in accordance with the applicable MASB Approved Accounting Standards in Malaysia for Private Entities so as to give a true and fair view of the state of affairs of the Company as at 30 June 2007 and of the results and cash flows of the Company for the period from 13 July 2006 (date of incorporation) to 30 June 2007.


SHAMSIR JASANI GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS


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

Kuala Lumpur
7 July 2007

Shamsir Jasani Grant Thornton 

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16. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX III (B)

Shamsir Jasani Grant Thornton 

Chartered Accountants

Company No: 463528 P

REPORT OF THE AUDITORS TO THE MEMBERS OF
AMSHORE HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 10 to 32 of Amshore Holdings Sdn. Bhd..

These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Private Entities so as to give a true and fair view of:
 - (i) the state of affairs of the Company as at 30 June 2007 and of the results and cash flows of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

Shamsir Jasani Grant Thornton MEMBER OF

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16. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX III (B)

Shamsir Jasani Grant Thornton

Company No: 463528 F

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.


SHAMSIR JASANI GRANT THORNTON
(NO. AF :0737)
CHARTERED ACCOUNTANTS


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

Kuala Lumpur
9 July 2007

17. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)



bio osmo berhad

Company Number: 740838-A

No. 1A, Jin. Kg Sungai Suloh, Mk. Minyak Beku, 83000 Batu Pahat, Johor Darul Takzim, Malaysia.
T: (60)7-4285 300 F: (60)7-4285 303 / 304 U: www.bioosmo.com E: info@bioosmo.com

Registered office:

Suite 6.1A, Level 6
Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim

1 6 NOV 2007

The shareholders of Bio Osmo Berhad

Dear Sir/ Madam,

On behalf of the Board of Directors of Bio Osmo Berhad ("Company"), I report after due and careful enquiry that during the period from 30 June 2007 (being the date to which the last audited financial statements of our Company and our subsidiary company have been made) to **1 6 NOV 2007** (being a date not earlier than fourteen days before the issuance of this Prospectus):

- (i) the businesses of our Company and our subsidiary company have, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of our Directors, no circumstances have arisen since the last audited financial statements of our Company and our subsidiary company which have adversely affected the trading or the value of the assets of our Company or of our subsidiary company;
- (iii) the current assets of our Company and our subsidiary company appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in Section 14.5.2, there are no contingent liabilities by reason of any guarantees or indemnities given by our Company or our subsidiary company;
- (v) since the last audited financial statements of our Company and our subsidiary company, 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 in which we are aware of; and
- (vi) since the last audited financial statements of our Company and our subsidiary company, save as disclosed in the Accountants' Report enclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Company and our subsidiary company.

Yours faithfully
For and on behalf of the Board of Directors
BIO OSMO BERHAD

CHONG KIM CHAN
Executive Director