BIO OSMO BERHAD (740838-A)
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83000 Batu Pahat, Johor Darul Takzim, Malaysia.
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BIO OSMO BERHAD (740838-A)

ANNUAL REPORT 2011

BIO OSMO BERHAD

Annual Report 2011

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Corporate Information

BOARD OF DIRECTORS

Datuk Seri Krishna Kumar
A/L Sivasubramaniam, J.P.
Managing Director

Mr Wong Kok Seong
Independent Non-Executive Director

En Auzir bin Mohd Yaacob#
Independent Non-Executive Director

Assoc. Prof. Dr. Mohd Amy Azhar bin Hj. Mohd Harif*
Non-Independent Non-Executive Director

Mr Yang Chin Kar**
Executive Director

Mr Lee Choong Choy***
Alternate Director to Yang Chin Kar
Independent & Non Executive Director

Datuk Idris bin Haji Hashim, J.P.^
Executive Chairman

Dato' Hamzah bin Mohd Salleh^^
Independent Non-Executive Director

Note:-

- * *Appointed as Independent Non-Executive Director on 18 August 2011. Re-designated as Non-Independent Non-Executive Director on 14 November 2011.*
- ** *Appointed as Executive Director on 10 October 2011.*
- *** *Appointed as Alternate Director to Yang Chin Kar on 10 October 2011.*
- \# *Re-designated as Independent Non-Executive Director on 18 October 2011.*
- ^ *Resigned as Director on 18 August 2011.*
- ^^ *Resigned as Director on 18 October 2011.*

AUDIT COMMITTEE

Chairman
Mr Wong Kok Seong

Member
En Auzir bin Mohd Yaacob

NOMINATION COMMITTEE

Chairman
Mr Wong Kok Seong

Member
En Auzir bin Mohd Yaacob

REMUNERATION COMMITTEE

Chairman
Mr Wong Kok Seong

Member
En Auzir bin Mohd Yaacob

COMPANY SECRETARY

Ms Leong Siew Foong
MAICSA No. 7007572

REGISTERED OFFICE

Suite 6.1A, Level 6,
Menara Pelangi, Jalan Kuning,
Taman Pelangi, 80400 Johor Bahru,
Johor Darul Takzim.
Tel: +607 332 3536 Fax: +607 332 4536

AUDITOR

Morison Anuarul Azizan Chew
18, Jalan 1/64
Off Jalan Kolam Air
Jalan Ipoh
51200 Kuala Lumpur.
Tel: +603-4048 2888 Fax: +603-4048 2999

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor.
Tel: +603 7841 8000 Fax: +603 7841 8008

PRINCIPAL BANKERS

Bank Kerjasama Rakyat Malaysia Berhad
Malayan Banking Berhad
CIMB Bank Berhad

SOLICITOR

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

STOCK EXCHANGE LISTING

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

WEBSITE

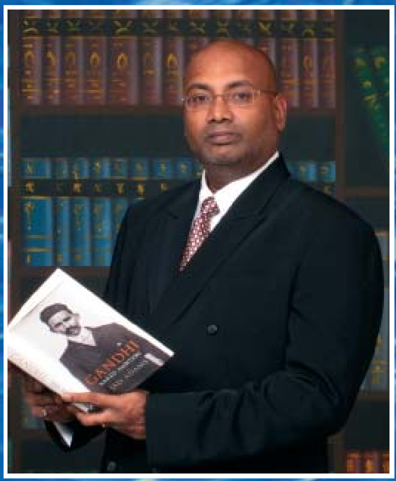
www.bioosmobhd.com

Group Structure

BIO OSMO BERHAD

100%	100%	100%	100%
AMSHORE HOLDINGS SDN BHD	**ARCTIC ICE (M) SDN BHD**	**CORPORATE ADVISORY & RE-ENGINEERING SERVICES SDN BHD**	**MORNING VALLEY SDN BHD**
Process, manufacture and distribute of drinking water and other beverages	*Licensee and distributor for "**Arctic Ice**" label energy drinks and other beverages*	*Provide corporate finance and consultancy services*	*Investment Company*

Board of Directors' Profile



Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam, J.P.

Malaysian, aged 41

Managing Director

Datuk Seri Krishna Kumar was appointed to the Board of Bio Osmo Bhd on 20 August 2009 as Non-Independent Non-Executive Director. He was subsequently re-designated as Executive Director on 28 August 2009, and assumed his current position on 11 January 2010.

He was educated in the United Kingdom and graduated with an Honours degree in Law from the University Wales. He specialises in Corporate and Commercial work. He also sits on various companies and corporations as director and/or advisor both locally and internationally.

Datuk Seri Kumar has attended all seven (7) Board Meetings held during the financial year ended 30 June 2011. He has no family relationship with any other Director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 10 years.

Yang Chin Kar

Malaysian, aged 36

Executive Director

Mr. Yang was appointed to the Board on 10 October 2011 as Executive Director overseeing the sales & marketing and production of the Group. He has over 15 years working experience in the field of sales and marketing, in particular the food and beverage industry.

He began his career as a Sales Executive for a trading company in Malaysia, where he gained extensive working experience and exposure to the regional sales and marketing environment. He later joined a regional trading company, as its Chief Operating Officer. His scope of work was predominately in developing a wide range of beverages and healthcare products, where the distribution network extended to the entire Asean region, as well as the Greater China and South Asia (India, Sri Lanka, Bangladesh etc). Mr. Yang received his education at Sri Garden School in Kuala Lumpur.

He has no family relationship with any directors or major shareholders of The Company, and has no conflict of interest with The Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.

Board of Directors' Profile

Assoc. Prof. Dr. Mohd Amy Azhar bin Haji Mohd Harif

Malaysian, aged 38

Non-Independent Non-Executive Director

Assoc. Prof. Dr. Amy was appointed to the Board on 18 August 2011 as a nominee from Perbadanan Nasional Berhad, a substantial shareholder of the Company. He is a Chartered Accountant and a member of the Malaysia Institute of Accountants. He is currently attached to the Faculty School of Economic, Finance and Banking, College of Business, University Utara Malaysia ("UUM") as an Associate Professor and he is the holder of Ph.D in Franchising and Financial Planning, Master in Business Administration (Management) and Bachelor in Accounting (Hons.) He is currently the Director/Deans and Student Affairs Departments of UUM.

He is highly regarded as a franchise industry expert and Franchise Consultant. His extensive exposure in franchise industry involved research, consultation and presentation of papers relating to franchise, finance and entrepreneur locally and abroad. Assoc. Prof. Dr. Amy was appointed by MECD as Committee member of National Franchise Master Plan, Master Franchise Product Development and Malaysia Franchise Advisory Board.

He has no family relationship with any directors or major shareholders of The Company, and has no conflict of interest with The Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.

Wong Kok Seong

Malaysian, aged 42

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

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

Having spent 15 years in the United Kingdom, Mr. Wong has gained extensive exposure with a United Kingdom accounting firm, Appleby & Wood, where he was a Partner from 1999 to 2005. His experience extended to multinational companies where he was appointed as Finance Director for a few of the companies. During his tenure there, he was responsible for the preparation of business plans, budgets and organisational financial statements. On his return to Malaysia in 2006 and upon obtaining his audit license, Mr. Wong joined Hasnan THL Wong & Partners (formerly known as THL Wong & Co.), and is now the firm's Managing Partner. He brings with him experience in external and internal auditing, financial accounting, management consultancy, taxation, due diligence and project financing and implementation.

Mr. Wong has attended all seven (7) Board Meetings held during the financial year ended 30 June 2011. He has no family relationship with any other Director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 10 years.

Board of Directors' Profile

Auzir bin Mohd Yaacob

Malaysian, aged 59

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

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

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

En. Auzir has attended all seven (7) Board Meetings held during the financial year ended 30 June 2011. He has no family relationship with any other Director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 10 years.

Lee Choong Choy

Malaysian, aged 52

Alternate Director to Mr. Yang Chin Kar

Mr. Lee was appointed as Alternate Director to Mr. Yang Chin Kar on 10 October 2011. He has been an active businessman of over 30 years in Malaysia and other parts of Asia. In the earlier part of his career, he was involved in the automobile trading business, and became one of the largest used car traders in the country. He is also involved in the supplies of building materials and other construction products to major developers.

Mr Lee is also involved in the business of supplying healthcare and food products, mainly from New Zealand. That has provided him with valuable business exposure in the consumer industry, in particular the fast moving consumer goods (FMCG) market in Malaysia and neighbouring countries. Mr. Lee received his early education at Ulu Kelang High School in Kuala Lumpur.

He has no family relationship with any directors or major shareholders of The Company, and has no conflict of interest with The Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.

Managing Director's Letter to Shareholders

My fellow Shareholders,

It has been slightly over two years since I first stepped foot into Bio Osmo Berhad. Whilst I do acknowledge that the journey has not been smooth, in particular during the initial stage, I am glad that we have finally found our path, and we are charting a new course towards the promise land.

THEN....

When my team and I took over the stewardship in August 2009, the Company was in severe financial stress. We discovered various malpractices and mismanagement within the Company. Cashflow management was in a mess, with questionable transactions and payments beyond the norm of common business practices. At that time, the Company has over RM60 million in debts, with the bulk from Bank Kerjasama Rakyat Malaysia and Idaman Capital Bhd's collaterised loan obligations ("CLO"), translated to debt to asset-backing ratio and debt to equity ratio of over 6 times. Some of the funds derived from these loans were utilised dubiously. Hence, the Company was made to shoulder the burden of heavy repayment obligations. This was against the backdrop of depleting sales and ballooning operating costs.

I took the first bold step by overhauling the entire senior management line-up. The new management team revamped the operations, and adopted new sales and marketing strategies. We also introduced tight credit control measures and cut back on all non-essential expenditure.

We bit the bullet and made a RM10.7 million provision on doubtful receivables for FY2009 and subsequently a further RM4.5 million in FY2010. The combined RM15.2 million provisions essentially wiped off the entire doubtful debtors. So we could move ahead without anymore baggage.

Managing Director's Letter to Shareholders

Sales began to stabilise and showed gradual improvements. Over the next one year period, we managed to reduce our staff force by over 20%, and cut down operating costs by 40%. We have also negotiated with the long overdue creditors for acceptable repayment schemes. All these were done with practically no additional external funding of additional facilities.

The next thing was to claim back what is rightfully ours. When negotiation failed, we resolved to the legal path to recover a RM3.0 million deposit paid for a land deal which was subsequently aborted; and a RM5.7 million deposit for equipment and machineries which was later cancelled. We believe justice will be served and we will eventually recover these monies.

NOW ....

For the current financial year ended 30 June 2011, the Group recorded a revenue of RM14.2 million, against RM16.0 million recorded in the previous financial year. Net profit after taxation was RM7.3 million, vis-à-vis RM9.7 million in net loss. The reversal was mainly due to write backs as waiver of principal and accrued interests pertaining to the CLO redemption scheme.

On that score, I am glad to report to you that we have finally reached an agreement to redeem all our RM35 million outstanding CLOs issued by Idaman Capital via the issuance of 100 million Irredeemable Convertible Preference Shares by the Company at an issue price of RM0.20 each, with 25 million detachable Warrants. At the same time, we will surrender the RM3.5 million subordinated bonds to Idaman Capital at no cost. We target to complete this exercise by early next year, where an Extraordinary General Meeting will be called to seek your approval to proceed with the scheme. I ask that you will support this exercise, as this involves no cash outlay from the part of the Company, and at the same time will improve the balance sheets.

On our banking facility with Bank Kerjasama Rakyat Malaysia, we are also exploring an amicable plan to ease our repayment schedule. As I mentioned earlier, we are accountable for heavy repayment obligations without the corresponding income generating capability as the loans taken were not channelled into productive assets. There is a huge mismatch between income stream and repayment obligations. As I write this letter to you, my team and I are exploring alternatives to address this imbalance. On that account, I am grateful to Bank Rakyat, for they have been backing us through the years. No words can express our gratitude for their belief in us. We look upon them for their continued support, and to formulate a workable solution.

On realising that our then business model of hard selling RO bottled water all over the country did not auger well for the continued survival in the highly competitive marketplace, we re-focused our sales and marketing strategy on the export markets, in particular to Singapore, Japan and Thailand. We possess a good product, supported by state of the art production facilities with clean-room environment, high quality packaging and bottles. We therefore capitalised on these strengths and target premium customers who are willing to pay more for quality products.

We also realised that for the long term growth of the Company, we cannot solely depend on RO water business. We therefore brought in a premium beverage product Arctic Ice Energy Drink into our stable as our complementary product. With a revised agreement signed recently with Arctico Beverages

Managing Director's Letter to Shareholders

USA, the principal for Arctic Ice, we now secured the branding and distribution rights for Arctic Ice and all its related products by for the entire Asian market. We believe that this diversification will contribute significantly to the Group's bottomline, in view of its lucrative profit margins supported by a wide product range and expanded geographical footprint. The new contact also saw a massive reduction in raw materials pricing, thus we are able to allocate a higher A&P budget going forward.

GOING FORWARD ....

Unlike bottled water business, energy drink market is Malaysia and in other parts of Asia is still relatively untapped, and is controlled by only a handful of players. We believe Arctic Ice possesses a strong international brand equity to garner a meaningful market share in the medium term. Based on a survey conducted by a research house Zenith International, the Asia Pacific energy drink consumption stood at about 1,174 million litre in 2008. The same survey also indicates that this segment of the market is growing at a rapid 12-15% per annum in the next 5 years. We are hopeful we will be able to achieve a meaningful participation in this RM15 billion market.

We have also recently entered into a cooperation agreement with Messrs Koperasi EG Malaysia Berhad and BYG Worldwide Berhad, where we will be the exclusive supplier of merchandise to the Koperasi members. BYG Worldwide is a marketing consulting firm with a long history of sales and marketing expertise, having successfully launched and managed a wide range of consumer products regionally. We are confident that we will be able to ride on Koperasi EG's membership platform and BYG's sales and marketing expertise to build a new trading business of supplying our house products and other food and beverage products. We are in the midst of finalising a range of new product range to Koperasi EG, as well as to distribute through our traditional network.

To handle all these new initiatives, I am happy to have Mr. Jimmy Yang Chin Kar coming on board as Executive Director on 10 October 2011 to assist me. Jimmy has built up a successful career with his many years of working experience in the sales and marketing of F&B products. He will be the key officer spearheading these new initiatives, as well as to take charge of our existing RO water business and plant operations.

We are confident that we now have everything it takes to turnaround the Company and boost our growth : an effective strategy, experienced team, strong product base, to name a few. These are all solid assurances for our future, a future of growth and value creation.

A WORD OF THANKS ....

After the closure of our financial year end, we had some movements in our Board composition. Regretfully Datuk Idris Hashim vacated his Executive Chairman's office in August this year. Assoc Prof Dr Mohd Amy Azhar bin Haji Mohd Harif was appointed a director, as the new nominee director from our substantial shareholder Perbadanan Nasional Berhad. I thank Datuk Idris for his contributions to lead the Board during his tenure with us. At the same time, I welcome Dr Amy on board. I hope his decorated academic credentials will be an asset to the Company.

In October, we lost another fine gentleman from the Board. Datuk Hamzah bin Salleh served the Board as Independent Director since the Company's inception in 2007. He was a member of the Audit Committee, as well as serving the Chairmanship on the Nomination and Remuneration Committees. He stayed with the Company during the good and bad times, and we certainly miss his valuable contributions. As earlier mentioned, Mr. Jimmy Yang Chin Kar was appointed as Executive Director, with Mr. Lee Choong Choy as his alternate director. Again, I welcome you to the Board. And to the other two long serving independent directors, allow me to express my heartfelt appreciation to you, and look forward to working shoulder-to-shoulder with you in the years to come.

To our suppliers and customers, I would also like to take this opportunity to convey my management team's and my appreciation for your support. We hope to carry on our productive business relationships to greater heights. I am also deeply delighted to have a team of dedicated staff, who work wholeheartedly to bring forth the changes to the Company with full spirit of teamwork and integrity. I cannot ask anything more from you.

Last but not least, to our shareholders who have been standing by with us, I assure you, your patience will be rewarded.

Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam J.P.
Managing Director

Management Team's Profile

JIMMY YANG CHIN KAR
Executive Director / Head of Business Operations

Mr. Yang was appointed to the Board on 10 October 2011 as Executive Director overseeing the sales & marketing and production of the Group. Mr Yang brings with him over 15 years of hands on working experience in the field of sales and marketing, in particular the food and beverage industry. His main scope of work is to develop and improve on the marketing strategies and new product development for the Group. He also oversees and monitors the Group's sales activities on a daily basis. He is also in charge of plant operations and production planning, specifically on the implementation of productivity and efficiency enhancement as well as product delivery systems for the Group. He is also involved in the decision making on budgeting and costing for both the sales & marketing, and production divisions.

SEBASTIAN CHANG HOW WENG
Group Chief Operating Officer / Head of Corporate Affairs & Finance

Mr. Chang is primarily responsible in formulating the Group's overall business and corporate finance strategies. He advises the Board of Directors on strategic corporate planning and financial management matters. He oversees the financial affairs and overall administration of the Group, as well as the operational funding and pricing strategy for the Group's various products. In addition, he is also tasked to introduce and implement internal control procedure for the Group. Mr. Chang was a member of the Executive Committee (EXCO) since late 2009 until it was dissolved in March 2011, where he assumed his current position. He has over 20 years working experience in the financial services sector, in particular stock broking, private equity investment and corporate finance and advisory.

ROGER LY KIM CHEONG
Chief Marketing Officer

Mr. Ly has over twelve years of working experience in senior positions on sales and marketing management. He possesses a thorough knowledge of sales and marketing principles, along with an impressive track record of success and performance. He currently leads the Group's sales and marketing teams, for both the domestic and export divisions. As part of marketing operations, he is in charge of the Group's media and communications, advertising, promotions and interactive programmes, as well as market and customer research. As an IT enthusiast himself, Mr. Ly will also spearhead the Group's effort in electronics promotions via web sites and social media. He also works closely with top management and the Finance Department in determining pricing strategy for the Group's various products.

SOH JOO THYE
Finance Manager

An associate member of the Chartered Institute of Management Accounts (CIMA), Mr. Soh, is in charge of the financial affairs of the Group. He is also responsible for the cost management and analysis, which help to develop product pricing strategy. He works with all heads of department to establish the budget for each department and for Group as a whole. He and his team also oversee the cashflow planning of the Group and monitor the credit control of all customers and payments schedule to suppliers. He also produces daily cashflow position report, and monthly management accounts for the Audit Committee and the Board of Directors. He is also responsible for the preparation of the quarterly results announcements and annual accounts, in compliance with the Stock Exchange's rules and regulations.

Management Team's Profile

TAY SIEN HUAT
Factory Manager

Mr. Tay was a member of the Company's pioneer team, and has been with the Group for over 10 years. He is in charge of the operations of the production floor, in particular on overall production efficiency and maintaining high standard of product quality. His is also responsible to maintain an efficient staff planning schedule, minimise machinery downtime and reduce wastage, while ensuring all production machineries and equipment are at their tip-top working conditions. He also liaises with various suppliers for the timely delivery of essential raw materials to the plant, and also works closely with these suppliers to develop better product quality and designs for our products. Mr. Tay also oversees the warehousing and logistics division where his team is responsible for ensuring the timely and safe delivery of finished products to the customers.

TAY SEW LENG
Head of Administration & Human Resource

Ms. Tay is in charge of the day-to-day administrative mattes of the Group. Equipped with over 15 years working experience in human resources and corporate administration in the manufacturing environment, she currently manages all human resources-related affairs such as payroll, staff welfare, licensing for foreign workers. She also handles the licensing matters relating to the plant operations, such as liaising with the Ministry of Health Malaysia, Jabatan Agama Johor, HACCP etc. She also develops and organises in-house training sessions on human resources development programmes for both management staff and production workers. She also works closely with the Factory Manager in ensuring full compliance on plant safety and other food safety standard compliance at all times.

KOH SET FEN
Chemist / R&D Officer

Ms Koh is a qualified food science technologist and is in charge of a fully-equipped laboratory at our main plant in Batu Pahat. Her main function is to monitor and maintain the quality control of the Group's products. On daily basis, she conducts thorough lab analysis on the quality of the bottled drinking water produced, where she keeps records and sampling of these products. In the research & development area, she helps to develop new production procedures and methods to improve product quality. She also conducts market research and R&D work to formulate new recipes to develop new beverage products, an area which the Group is committed venturing into.

Statement on Corporate Governance

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

The Board has assessed the level of corporate governance practiced in the Group and confirms that unless otherwise stated in this statement, the Group has complied with all the principles and recommended best practices throughout the financial year ended 30 June 2011.

(A) DIRECTORS

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

(i) Board Balance

The Board currently comprises five (5) members of whom two (2) are Executive Directors, two (2) are Independent Non-Executive Directors and one (1) is a Non-Independent Non-Executive Director. The composition of Independent Non-Executive Directors is in compliance with Paragraph 15.02 of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements on the Board composition.

Although a relatively small Board, it provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, legal and technical areas of the industries the Group is involved in. A key strength of this structure has been the speed of decision-making and greater interaction amongst the board members.

The Executive Directors are primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group's operations and developing the Group's business strategies. The Independent Non-Executive Directors provide objective and independent judgment on issues of strategy, performance, policies and resources.

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

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as it is satisfied that they can be conveyed effectively to any of the members of the Board.

Profile of each of the Directors is presented on Pages 4 to 6 of this Annual Report.

(A) DIRECTORS (cont'd)

(ii) Board Meetings

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

For the financial year ended 30 June 2011, the attendance of the Directors is as follows:-

Director	No. of meetings attended
Datuk Idris bin Haji Hashim	7/7
Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam	7/7
Dato' Hamzah bin Mohd Salleh	7/7
Mr. Wong Kok Seong	7/7
En. Auzir bin Mohd Yaacob	7/7

(iii) Supply of information

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

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

In addition to the Board papers, the Board is notified of any corporate announcements released to Bursa Securities and is also kept informed of the requirements and updates issued by the various regulatory authorities. In furtherance of their duties, Directors have access to all information within the Group and to the advice and services of the officers of the Company, the Company Secretary and are allowed to call on or procure all necessary external professional advice at the Company's expense.

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

(iv) Directors' Training and Development programmes

All the Directors served during the financial year ended 30 June 2011 have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. to enhance their skills in the area of corporate governance. Newly appointed Directors shall attend the MAP in accordance with the Listing Requirements.

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

(A) DIRECTORS (cont'd)

(v) Appointment of Directors

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

The Nomination Committee was established on 23 October 2007 and comprises the following members during the financial year ended 30 June 2011:

Chairman : Dato' Hamzah bin Mohd Salleh
Member : Wong Kok Seong

The Nomination Committee is responsible for making an independent recommendation for appointments to the Board. In making these recommendations, the Nominations Committee considers the skills, knowledge, expertise and experience, professionalism, integrity and other qualities of the candidate. Any new nomination received is put to the full Board for assessment and endorsement.

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

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

For the financial year ended 30 June 2011, the attendance of the Members at the Nomination Committee is as follows:-

Members	No. of meetings attended
Dato' Hamzah bin Mohd Salleh	2/2
Mr. Wong Kok Seong	2/2

(vi) Re-election of Directors

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

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

(B) DIRECTORS' REMUNERATION

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

The Remuneration Committee is responsible for recommending to the Board the remuneration framework and the remuneration packages of the Executive Directors in all its form. The Executive Directors' remunerations comprise basic salary, allowances, bonuses and other customary benefits to the Group made available as appropriate. The Non-Executive Directors' remunerations comprise fees and allowances.

None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of the non-executive directors with individual directors abstaining from decisions pertaining to their own remuneration. The Group's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities.

Statement on Corporate Governance

(B) DIRECTORS' REMUNERATION (cont'd)

The Remuneration Committee was established on 23 October 2007 and comprises the following members during the financial year ended 30 June 2011:

Chairman	:	Dato' Hamzah bin Mohd Salleh
Member	:	Wong Kok Seong

Details of the Directors' remuneration are disclosed in Note 20 to the financial statements of this Annual Report. The Board opts not to disclose the remuneration of each individual director due to the Company's concerns for the sensitivity and confidentiality of such information. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration is adequately served by the "band disclosure" in accordance with the Listing Requirements.

Number of Directors whose remuneration falls into the following bands:

Range of Remuneration	Executive	Non-executive
Below RM 50,000	-	3
RM 50,001 to RM 100,000	-	-
RM 100,001 to RM 150,000	1	-
RM 150,001 to RM 200,000	1	-

For financial year ended 30 June 2011, none of the Directors were offered share options under the Company's Employee Share Option Scheme.

(C) SHAREHOLDERS AND INVESTORS

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

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

The Company strives to maintain an open and transparent channel of communication with its stakeholders, institutional investors and the investing public at large with the objective of providing as clear and complete a picture of the Group's performance and position as possible. The Company believes that a constructive and effective investor relationship is an essential factor in enhancing value for its shareholders. However, whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information to external parties.

(D) ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

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

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

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

(D) ACCOUNTABILITY AND AUDIT (cont'd)

(ii) Internal Control

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

The Statement on Internal Control of the Group set out on Pages 19 to 20 of this Annual Report provides an overview on the state of internal controls within the Group throughout the financial year.

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

(iii) Relationship with the Auditors

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

The role and a summary of the activities of the Audit Committee during the year is described in the Audit Committee

Report set out on Pages 18 to 21 of this Annual Report.

(iv) Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the approved accounting standards and give a true and fair view of the state of affairs of the Group at the end of the financial year and of the results and cash flows of the Group for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 30 June 2011, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

(E) ADDITIONAL COMPLIANCE INFORMATION

(i) Recurrent Related Party Transaction

There were no recurrent related party transactions involved in the financial year ended 30 June 2011.

(ii) Share Buyback

There were no share buyback transactions involved in the financial year ended 30 June 2011.

(iii) Exercise of Options, Warrants or Convertible Securities

The Group and its subsidiaries have not issued any options, warrants or convertible securities in respect of the financial year ended 30 June 2011.

(iv) Depository Receipt Programme

The Group and its subsidiaries have not sponsored any Depository Receipt Programme for the financial year ended 30 June 2011.

(v) Sanctions and/or Penalties

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

Statement on Corporate Governance

(E) ADDITIONAL COMPLIANCE INFORMATION (cont'd)

(vi) Material Contracts

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

(vii) Revaluation of Landed Properties

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

(viii) Non-Audit Fees

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

(ix) Corporate Social Responsibilities

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

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

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

(xi) Variation in results

Subsequent to the financial year ended 30 June 2011, The Company secured the consent from Messrs Idaman Capital Berhad ("ICB") and its bondholders for the settlement of the outstanding RM35,000,000 Primary Collaterised Loans Obligations ("Primary CLO") via the issuance of 100,000,000 Irredeemable Convertible Preference Shares ("ICPS") by the Company at an issue price of RM0.20 each, and the issuance of 25,000,000 detachable Warrants by the Company at not cost to ICB. At the same time, The Company shall surrender the RM3,500,000 subordinated Bonds subscribed by to ICB at no cost.

During the months subsequent to the announcement of 4Q results, ICB has appointed an independent Financial Advisor to review and assist us to finalise the settlement proposal on their behalf. The parties have since confirmed the detailed settlement scheme, and have proceeded to the drafting of the Settlement Agreement.

In view of this new development, the Company's External Auditor believed that it is appropriate to write back onto the Audited Accounts for FYE 30 June 2011 the differential sum of RM11,500,000 arose from the settlement amount as waiver of debt, being the difference of the original RM35,000,000 principal sum, RM20,000,000 final settlement amount (via issuance of 100m ICPS), and RM3,500,000 subordinated bond to be surrendered to Idaman Capital at no cost.

(xii) Contracts Relating to Loan

The Company has secured the consent from ICB and its bondholders to proceed to execute a Settlement Agreement pertaining to the redemption of the RM35,000,000 Primary CLO. The Agreement is currently being finalised, which will be signed by the parties concerned within the next one month.

Audit Committee Report

COMPOSITION AND MEMBERSHIP

The Audit Committee had three (3) directors, all of whom were Non-Executive Directors. However, since the resignation of Dato' Hamzah Bin Mohd Salleh on 18 October 2011, the Committee currently comprises two (2) directors, and their composition is as follows:

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

Encik Auzir bin Mohd Yaacob
Member/Independent Non-Executive Director

TERMS OF REFERENCE

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

Objective

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

Composition

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

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

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

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

    i. must be a member of the Malaysian Institute of Accountants; or
    ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience; and
        a. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
        b. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
        c. fulfils such other requirements as prescribed or approved by Bursa Securities.

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

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

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

Chairman

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

Audit Committee Report

Secretary

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

Meetings and Minutes

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

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

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

Authority

The Audit Committee shall in accordance with a procedure determined by the Board of Directors:
i. have authority to investigate any matter within its terms of reference;
ii. have the resources which are required to perform its duties;
iii. have full and unrestricted access to any information pertaining to the Company and the Group;
iv. have direct communication channels with the internal and external auditors and with senior management of the Company;
v. be able to obtain independent professional or other advice; and
vi. be able to convene meeting with external auditor, internal auditor or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.
vii. report promptly to the Bursa Securities of matters which results in a breach of the Listing Requirements.

Functions and Duties

The functions and duties of the Audit Committee are:-

1. to review the following and report the same to the Board of Directors of the Company:
    a. with the external auditor, the audit plan;
    b. with the external auditor, his evaluation of the system of internal controls;
    c. with the external auditor, his audit report;
    d. the assistance given by the employees of the Company to the external auditor;
    e. the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
    f. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
    g. the quarterly results and year end fi nancial statements, prior to the approval by the board of directors, focusing particularly on
        - changes in or implementation of major accounting policy changes;
        - significant and unusual events; and
        - compliance with accounting standards and other legal requirements;
    h. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
    i. any letter of resignation from the external auditors of the Company; and
    j. whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment.

2. to recommend the nomination of a person or persons as external auditors.

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

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

Audit Committee Report

MEETINGS

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

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

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

   i. the quorum of Committee is met;

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

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

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

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

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

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

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

8. The quorum for a meeting of the Committee shall be two (2), Provided Always that the majority of members present must be independent directors.

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

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

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

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

The Audit Committee held seven (7) meetings during the financial year ended 30 June 2011 and the attendance of each Audit Committee member are as follows:

Members	No. of meetings attended
Mr. Wong Kok Seong *	7/7
Dato' Hamzah bin Mohd Salleh **	7/7
En. Auzir bin Mohd Yaacob ***	7/7

* Appointed as Chairman on 18 October 2011
** Resigned as Director on 18 October 2011
*** Re-designated as Independent Non-Executive Director on 18 October 2011

Audit Committee Report

SUMMARY OF ACTIVITIES

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

i. review internal audit's reports and memorandums;
ii. review quarterly unaudited financial result prior to submission to the Board of Directors for their consideration and approval;
iii. review the external auditors' reports in relation to audit and accounting issues arising from audit, and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board;
iv. review any significant issues and concerns arising from internal and external audit;
v. review the Company's compliance with revamped Bursa Securities Main Market Listing Requirements; and
vi. review plans of the external auditors, audit strategy and their performance and recommend their appointment and fees to the Board for approval.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an external firm specializing in internal audit work. For the financial year ended 30 June 2011, the cost incurred for internal audit function was RM12,000. The internal auditor reports to the Audit Committee and carried out the audit reviews in accordance with the internal audit plan. The audit findings and recommendations will be forwarded to the management concerned for attention and necessary action. The Audit Committee reviews and deliberates the internal audit reports and relevant issued presented during the regular Audit Committee meetings.

During the financial year under review, our Internal Audit Department had carried out the following activities:-

i. conduct independent reviews on internal control of the key activities within the Group's operating units;
ii. identify and highlight any deficiency and findings in the risk management and internal controls of the Group;
iii. propose practical and cost effective recommendations and corrective action plans to the relevant management; and
iv. perform follow-up audits to ensure the recommendations and corrective action plan have been taken and implemented accordingly.

A number of minor internal control weaknesses were identified, all of which have been or being addressed. None of the weakness has resulted in any material losses or uncertainties that would require disclosure in this Annual Report.

Statement on Internal Control

The Board of Directors of Bio Osmo Berhad is pleased to disclose that this statement is in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the Group's compliance with the Principles and Best Practices relating to internal control as stipulated in the Malaysian Code on Corporate Governance for the financial year ended 30 June 2011.

BOARD RESPONSIBILITY

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

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

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

RISK MANAGEMENT FRAMEWORK

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

This process has been in place throughout the year and up to the date of approval of the annual report and financial statements. Our Audit Committee together with our outsourced internal audit firm, independently reviews the risk identification procedures implemented by the Management to ensure the effectiveness of the Group's system of internal control. The cost incurred for the services of the internal audit function during the financial year was about RM12,000.

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

ASSURANCE MECHANISM

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

- Assessment of risk by reviewing evidence of risk assessment activity;
- Reviews of the interim and annual financial statements;
- Review of the scope of the external audit and the external auditors' plans;
- Conducted reviews and updates of risk profiles including emerging risks and re-rated principal risks;
- Evaluated the adequacy of key processes, systems, and internal controls in relation to the rated principal risks, and established strategic responses, actionable programmes and tasks to manage the aforementioned and /or eliminate performance gaps;

ASSURANCE MECHANISM (cont'd)

- Ensured internal audit programmes covered identified principal risks. Audit findings throughout the financial period served as key feedback to validate effectiveness of risk management activities and embedded internal controls;

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

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

SYSTEM OF INTERNAL CONTROL

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

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

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

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

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

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

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

- Active participation and involvement by Executive Directors in the day-to-day operation of the whole Group.

CONCLUSION

During the financial year ended 30 June 2011, there were no material losses resulting from control failures, breakdowns or weaknesses in the Group's system of internal controls. The Group will continue to take the necessary measures to ensure that the system of internal controls is in place and functions effectively.

The Board is pleased to conclude that the state of the Group's Internal Control System is adequate and effective.

REPORTS AND FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

Principal Activities

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

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

Financial Results

	Group RM	Company RM
Profit/(Loss) attributable to		
- owners of the parent	7,261,838	(733,507)
- non-controlling interests	(3,674)	-
	7,258,164	(733,507)

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year under review.

Reserves and Provisions

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

Issue of Shares and Debentures

There were no issues of shares or debentures during the financial year under review.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

Directors

The Directors who served since the date of the last report are as follows:

Datuk Seri Krishna Kumar A/L Sivasubramaniam	
Auzir bin Mohd Yaacob	
Wong Kok Seong	
Dr. Mohd Amy Azhar bin Haji Mohd Harif	(appointed on 18.8.2011)
Yang Chin Kar	(appointed on 10.10.2011)
Lee Choong Choy	(appointed on 10.10.2011)
(alternate Director to Yang Chin Kar)	
Datuk Idris bin Haji Hashim	(resigned on 18.8.2011)
Dato' Hamzah bin Mohd Salleh	(resigned on 18.10.2011)

DIRECTORS' REPORT

Directors' Interests

Details of holdings and deemed interests in the share capital and options over the shares of the Company or its related corporations by the Directors holding office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:

	Number of ordinary shares of RM0.20 each			
	At 1.7.2010	**Acquired**	**Disposal**	**At 30.6.2011**
Direct interest				
Auzir Bin Mohd Yaacob	10,000	-	-	10,000
Wong Kok Seong	10,000	-	-	10,000
Indirect interest				
Datuk Seri Krishna Kumar A/L Sivasubramaniam (Note 1)	50,000,000	-	-	50,000,000

Note 1: Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his direct interest in True Profit Holding Limited and Sure Talent Holdings Limited

By virtue of the interest in the Company, Datuk Seri Krishna Kumar A/L Sivasubramaniam also deemed to have interest in the shares of all subsidiary companies to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year under review.

Directors' Benefits

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

Neither during nor at the end of the financial year, was the Company a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other Statutory Information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps: -

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances: -

    (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

    (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

DIRECTORS' REPORT

Other Statutory Information (cont'd)

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

(c) No contingent or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company or its subsidiary companies to meet their obligations as and when they fall due.

(d) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liability in respect of the Group or the Company or its subsidiary companies which has arisen since the end of the financial year.

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year ended 30 June 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 16 to the financial statements; and

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

Auditors

The auditors, Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.

DATUK SERI KRISHNA KUMAR A/L SIVASUBRAMANIAM

YANG CHIN KAR

KUALA LUMPUR
31 OCTOBER 2011

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

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

We, DATUK SERI KRISHNA KUMAR A/L SIVASUBRAMANIAM and YANG CHIN KAR, being two of the Directors of BIO OSMO BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 30 to 66 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and of the results of their operations and of their cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the Directors.

DATUK SERI KRISHNA KUMAR A/L SIVASUBRAMANIAM

YANG CHIN KAR

KUALA LUMPUR
31 OCTOBER 2011

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

I, SOH JOO THYE, being the Officer primarily responsible for the financial management of BIO OSMO BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 30 to 66 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed SOH JOO THYE at Kuala)
Lumpur in the Federal Territory this)
31 OCTOBER 2011)

SOH JOO THYE

Before me,

PESURUHJAYA SUMPAH
W 550
ARSHAD ABDULLAH
MALAYSIA

COMMISSIONER FOR OATHS

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 K'' LA LUMPUR

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BIO OSMO BERHAD (Company No: 740838-A) (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Bio Osmo Berhad, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equities and statements of cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 66.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of the financial statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of whom we acted as auditor have been properly kept in accordance with the provisions of the Act.

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

(c) The independent auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174(3) of the Act.

Other Matters

The supplementary information set out in Note 32 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the Directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the Directive of Bursa Malaysia Securities Berhad.

This report is solely made to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

SATHIEA SEELEAN A/L MANICKAM
Approved Number: 1729/05/12 (J/PH)
Partner of Firm

KUALA LUMPUR
31 OCT 2011

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STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	3	47,100,843	49,227,073	8,430	7,959
Investment in subsidiary companies	4	-	-	5,476,005	5,476,005
Other investment	5	1	3,500,000	-	-
Deferred tax assets	6	4,414,108	4,414,108	-	-
		51,514,952	57,141,181	5,484,435	5,483,964
Current Assets					
Inventories	7	1,670,848	1,306,553	-	-
Trade receivables	8	2,732,688	3,477,133	-	-
Other receivables	9	9,819,438	9,960,654	30,580	12,050
Tax recoverable		53,139	55,264	-	-
Amount owing by subsidiary companies	10	-	-	8,358,071	9,010,162
Fixed deposits with licensed banks	11	428,463	348,500	-	-
Cash and bank balances		118,388	304,880	7,901	26,995
		14,822,964	15,452,984	8,396,552	9,049,207
Non-current assets held for sales	12	-	920,300	-	-
		14,822,964	16,373,284	8,365,972	9,049,207
Current Liabilities					
Trade payables	13	1,713,268	1,730,469	-	-
Other payables	14	1,617,154	4,548,958	140,688	89,945
Hire purchase payables	15	112,428	671,797	-	-
Bank borrowings	16	25,716,938	1,812,199	-	-
		29,159,788	8,763,423	140,688	89,945
Net current (liabilities)/assets		(14,336,824)	7,609,861	8,255,864	8,959,262
		37,178,128	64,751,042	13,740,299	14,443,226
Financed by:					
Share Capital	17	40,000,000	40,000,000	40,000,000	40,000,000
Share premium		2,853,305	2,853,305	2,853,305	2,853,305
Revaluation reserve		1,242,508	-	-	-
Accumulated losses		(21,642,891)	(28,904,729)	(29,113,006)	(28,410,079)
Equity attributable to owners of the parent		22,452,922	13,948,576	13,740,299	14,443,226
Non-controlling interest		(3,674)	-	-	-
		22,449,248	13,948,576	13,740,299	14,443,226
Non -Current Liabilities					
Hire purchase payables	15	-	108,520	-	-
Bank borrowings	16	14,728,880	50,693,946	-	-
		14,728,880	50,802,466	-	-
		37,178,128	64,751,042	13,740,299	14,443,226

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

		Group		Company	
			Restated		
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Revenue	18	14,122,664	16,038,382	-	-
Cost of sales		(16,294,684)	(16,390,101)	-	-
Gross loss		(2,172,020)	(351,719)	-	-
Other operating income		20,991,819	201,652	-	-
Selling and distribution costs		(1,892,275)	(7,619,561)	(113,070)	(71,086)
Administrative and general expenses		(6,076,756)	(2,571,586)	(589,857)	(27,857,826)
Loss from operations		10,850,768	(10,341,214)	(702,927)	(27,928,912)
Finance costs	19	(3,553,617)	(3,807,264)	-	-
Profit/(Loss) before taxation	20	7,297,151	(14,148,478)	(702,927)	(27,928,912)
Taxation	21	(38,987)	4,406,005	-	(8,103)
Net profit/(loss) for the financial year		7,258,164	(9,742,473)	(702,927)	(27,937,015)
Other comprehensive income					
Revaluation of land and building		1,242,508	-	-	-
Total comprehensive income/(loss) for the financial year		8,500,672	(9,742,473)	(702,927)	(27,937,015)
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		7,261,838	(9,742,472)		
Non-controlling interest		(3,674)	(1)		
		7,258,164	(9,742,473)		
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the parent		8,504,346	(9,742,472)		
Non-controlling interest		(3,674)	(1)		
		8,500,672	(9,742,473)		
Earnings/(Loss) per share attributable to owners of the parent:					
Basic (sen)	22	3.6	(4.9)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Attributable to Owners of the Parent						
		Non-distributable		Distributable			
Group	Share Capital RM	Share Premium RM	Assets Revaluation Reserve RM	Accumulated Losses RM	Total RM	Non-controlling interest RM	Total Equity RM
At 1 July 2010	40,000,000	2,853,305	-	(28,904,729)	13,948,576	-	13,948,576
Total comprehensive income	-	-	1,242,508	7,261,838	8,504,346	(3,674)	8,500,672
At 30 June 2011	40,000,000	2,853,305	1,242,508	(21,642,891)	22,452,922	(3,674)	22,449,248
At 1 July 2009	40,000,000	2,853,305	-	(19,162,256)	-	-	23,691,049
Total comprehensive loss	-	-	-	(9,742,473)	-	-	(9,742,473)
At 30 June 2010	40,000,000	2,853,305	-	(28,904,729)	-	-	13,948,576

		Non-distributable	Distributable	
Company	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total RM
At 1 July 2010	40,000,000	2,853,305	(28,410,079)	14,443,226
Total comprehensive loss	-	-	(702,927)	(702,927)
At 30 June 2011	40,000,000	2,853,305	(29,113,006)	13,740,299
At 1 July 2009	40,000,000	2,853,305	(473,064)	42,380,241
Total comprehensive loss	-	-	(27,937,015)	(27,937,015)
At 30 June 2010	40,000,000	2,853,305	(28,410,079)	14,443,226

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	7,297,151	(14,148,478)	(702,927)	(27,928,912)
Adjustments for:				
Allowance for doubtful debts	-	4,513,793	-	-
Allowance for doubtful debts no longer required	(3,478)	(7,883)	-	-
Depreciation of property, plant and equipment	3,315,480	3,372,369	1,029	929
Impairment loss on investments in subsidiary companies	-	-	-	27,222,198
Impairment loss on other investment	3,499,999	-	-	-
Interest expense	3,553,617	3,807,264	-	-
Unrealised (gain)/loss on foreign exchange	(142,027)	12,078	-	-
(Gain)/Loss on disposal of property, plant and equipment	(688,345)	3,667	-	-
Interest income	(8,500)	-	-	-
Waiver of CLO interest	(4,962,041)	-	-	-
Waiver of debts	(15,000,000)	-	-	-
Operating loss before working capital changes	(3,138,144)	(2,447,190)	(701,898)	(705,785)
(Increase)/Decrease in working capital				
Inventories	(364,295)	255,653	-	-
Trade receivables	747,923	1,633,447	-	-
Other receivables	92,204	412,480	(18,530)	(12,050)
Trade payables	(17,201)	96,669	-	-
Other payables	(53,119)	347,363	50,743	45,906
Amount owing by subsidiary companies	-	-	652,091	684,984
	405,512	2,745,612	684,304	718,840
Cash (used in)/generated from operations	(2,732,632)	298,422	(17,594)	13,055
Interest received	8,500	(1,186,844)	-	-
Interest paid	(1,561,559)	-	-	-
Tax paid	(36,862)	(8,103)	-	(8,103)
	(1,589,921)	(1,194,947)	-	(8,103)
Net cash (used in)/from operating activities	(4,322,553)	(896,525)	-	4,952
Cash Flows From Investing Activities				
Purchase of property, plant and equipment	(77,676)	(211,279)	(1,500)	-
Proceeds from disposal of property, plant and equipment	1,739,579	1,500	-	-
Net cash from/(used in) investing activities	1,661,903	(209,779)	(1,500)	-

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash Flows From Financing Activities				
Net changes in revolving credit	3,551,872	921,271	-	-
Drawdown of term loan	132,711	-		
Repayment of term loans	(653,612)	(724,844)	-	-
Repayment of hire purchase payables	(618,877)	(724,544)	-	-
Placement of fixed deposit pledged	(79,963)	(348,500)		
Net cash from(used in) financing activities	2,332,131	(876,617)	-	-
Net (decrease)/increase in cash and cash equivalents	(328,519)	(1,982,921)	(19,094)	4,952
Effect of exchange rate changes	142,027	(12,078)	-	-
Cash and cash equivalents at beginning of the financial year	304,880	2,299,879	26,995	22,043
Cash and cash equivalents at end of the financial year	118,388	304,880	7,901	26,995
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	118,388	304,880	7,901	26,995
Fixed deposit with licensed bank	428,463	348,500	-	-
	546,851	653,380	7,901	26,995
Less: Fixed deposits with licensed bank pledged	(428,463)	(348,500)		-
	118,388	304,880	7,901	26,995

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim.

The principal place of business of the Company is located at 1A, Jalan Kampung Sungai Suloh, Mukim Minyak Beku, 83000 Batu Pahat, Johor Darul Takzim.

2. Basis of Preparation and Significant Accounting Policies

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the accounting policies below and in accordance with Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia.

During the financial year, the Group and the Company have adopted the following new FRSs, revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations:-

	Effective date for financial periods beginning on or after
FRS 7: Financial instruments: Disclosures	1 January 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2010
FRS 101: Presentation of Financial Statements (Revised)	1 January 2010
FRS 123: Borrowing Costs (Revised)	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation:- paragraphs 11,16 and 97E	1 March 2010
FRS 3: Business Combination (Revised)	1 July 2010
FRS 127: Consolidated and Separate Financial Statements (Revised)	1 July 2010

The adoption of the above new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations did not have a significant impact on the financial statements of the Company except as disclosed in Note 28.

At the date of authorisation of these financial statements, the Group and the Company have not applied the following FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations that have been issued by MASB but are not yet effective:-

	Effective date for financial period beginning on or after
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First Time Adopters	1 January 2011
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011

2. Significant Accounting Policies (cont'd)

(a) Basis of accounting (cont'd)

	Effective date for financial period beginning on or after
IC Interpretation 4: Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)"	1 January 2011
Amendments to IC Interpretation 14 : Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19 : Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 15 : Agreements for the Construction of Real Estate	1 January 2012
FRS 124 : Related Party Disclosures (Revised)	1 January 2012

The Group and the Company plan to adopt the abovementioned FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations which are relevant to the Group's and the Company's operations when they become effective.

The Directors of the Group and of the Company anticipate that the application of the above FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Group and of the Company except the following:-

IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

This new interpretation provides clarification when entity renegotiates the term of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully and partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit and loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in statements of comprehensive income.

FRS 124 : Related Party Disclosures (Revised)

The revised FRS 124 simplifies the definition of related party, clarifies its intended meaning and eliminates inconsistencies from the definition. The changes from current practice among others include a partial exemption from disclosures for government-related entities. It requires disclosures of related party transactions between government-related entities only if the transactions are individually or collectively significant as follows:-

- the name of the government that has a control, joint control or significant influence over the reporting entity and the nature of the relationship
- the nature and amount of any individually significant transactions; and
- the extent of any other collectively-significant transactions, qualitatively or quantitatively.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Significant Accounting Policies (cont'd)

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

The key assumptions concerning the future and other key sources of estimation or uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Depreciation of property, plant and equipment

The costs of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of the property, plant and equipment as stated in Note 2(e)(iii). These are common life expectancies applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's and the Company's property, plant and equipment as at 30 June 2011 is stated in Note 3.

(iii) Impairment of receivables

The Group makes impairment loss on receivables based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of allowance for doubtful debts. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(iv) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

(v) Impairment of investment

The Company determines whether investments in subsidiary companies are impaired at least on an annual basis. This requires an estimation of the value in use of the subsidiary companies. Estimating value in use amount requires management to make an estimate of the expected future cash flows from the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of investments in subsidiary companies as at 30 June 2011 is stated in Note 4 to the financial statements.

The Group makes impairment loss on its unquoted bond when there is a negative rating by the credit rating agency.

2. Significant Accounting Policies (cont'd)

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

(vi) Deferred tax asset

Deferred tax asset is recognised for unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which tax losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(vii) Classification of financial assets

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which are made up to the end of the financial year.

(i) Subsidiary companies

Subsidiary companies are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in the statements of comprehensive income.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any non-controlling interest. Any cost directly attributable to the acquisition is included in administrative expenses in profit and loss as incurred.

The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. The accounting policy on goodwill on acquisition of subsidiaries is set out in Note 2(k). If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:-

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases.

2. Significant Accounting Policies (cont'd)

(d) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

Any non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's assets in the event of liquidation is measured at either the fair value as the present ownership instruments' non-controlling interest's share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests should be measured at their acquisition date fair values. The choice of measurement basis is made on a transaction-by-transaction basis. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date when the Group attains control and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

When increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value on acquisition date. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to non-controlling interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the consolidated statement of comprehensive income.

When the Group purchases a subsidiary's equity shares from non-controlling interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant Accounting Policies (cont'd)

(d) Basis of consolidation (cont'd)

(iii) Transactions eliminated on consolidation

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

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

(iv) Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(f).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives are as follows:

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

Gains or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in the statement of comprehensive income. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

2. Significant Accounting Policies (cont'd)

(f) Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. An impairment loss is charged to the statements of comprehensive income immediately.

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. The reversal is recognised in the statements of comprehensive income immediately.

(g) Goodwill arising on consolidation

Goodwill arising on consolidation represents the difference between the costs of the acquisition over the fair value of the net identifiable assets of subsidiary companies acquired at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statements of comprehensive income.

Goodwill on consolidation is reviewed at each reporting date and will be written down for impairment where it is considered necessary. s

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies of the business combination.

An impairment loss is recognised in the statement of comprehensive income when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is not reversed in a subsequent period.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damage, obsolete or slow-moving inventories.

Cost is determined using the first in first out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short term highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value. For the purpose of statement of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Significant Accounting Policies (cont'd)

(j) Non-current asset held for sale

Non-current asset is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up to date in accordance with applicable FRSs. Then, on initial classification as held for sale, non- current assets is measured in accordance with FRS 5, non-current assets held for sale and discontinued operations, which is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

(k) Provisions for liabilities

Provisions 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 obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(l) Hire purchase

Assets acquired by way of hire purchase is stated at an amount equal to the lower of their fair values less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the statement of comprehensive income on a straight line basis over the term of the relevant lease.

(m) Borrowing costs

Borrowing costs are recognised as an expense in the statements of comprehensive income in the period in which they are incurred.

(n) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary items, such as financial assets held for trading held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange fluctuation reserve in the equity.

2. Significant Accounting Policies (cont'd)

(n) Foreign currencies

The closing exchange rates used for each unit of the main foreign currency in the Group is:

	2011 RM	2010 RM
United States Dollar (US$)	3.021	3.258
Singapor Dollar (SGD)	2.458	2.324

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts and is recognised in the statements of comprehensive income when significant risks and rewards of the ownership have been transferred to the customers.

(ii) Interest income

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

(p) Employee benefits

(i) Short term employee benefits

Salaries, wages, bonuses and social security contributions are recognised as an expense in the year 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. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur. Non-monetary benefits such as medical care, housing, and other staff related expenses are charged to the statements of comprehensive income as and when incurred.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statements of comprehensive income as incurred.

(q) 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 reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. Significant Accounting Policies (cont'd)

(q) Income tax (cont'd)

Deferred tax is not recognised if the temporary difference arises 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 reporting date. Deferred tax is recognised in the statement of comprehensive income, 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.

(r) Financial assets

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

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are unquoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statements of financial position.

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

(ii) Held-to-maturity investments

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

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

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

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statements of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statements of comprehensive income as part of other operating income when the Group's right to receive payments is established.

2. Significant Accounting Policies (cont'd)

(s) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in statements of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised costs, the reversal is recognised in statements of comprehensive income.

(t) Financial liabilities

Short-term borrowings, trade and other payables are classified as financial liabilities in the statements of financial position as there is a contractual obligation to make cash payments to another entity and is contractually obliged to settle the liabilities in cash.

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the Group designates the liabilities at fair value through profit or loss. Financial liabilities are designated at fair value through profit or loss when:-

(i) they are acquired or incurred for the purpose of selling or repurchasing in the near term;

(ii) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or

(iii) the financial liability contains an embedded derivative that would need to be separately recorded.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(u) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(v) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period and ordinary shares that will be issued upon the conversion of mandatorily convertible instruments from the date the contract is entered into.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (cont'd)

(w) Operating Segments

For management purposes, the Group is organised into operating segment based on their product and services/business activities. An operating segment's operating results are reviewed regularly by the chief operating decision maker, who will make decisions to allocate resources to the segments and assess the segment performance.

(x) Asset Revaluation Reserves

The asset revaluation reserve represents increase in the fair value of freehold land and building, net of tax, and decreases to the extent such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

3. Property, Plant and Equipment

	< ---------At Valuation-------->		< -----------------At Cost---------------->			
Group	**Freehold lands RM**	**Factory buildings RM**	**Plant and machinery RM**	**Office equipment, furniture and fittings and renovation RM**	**Motor vehicles RM**	**Total RM**
Cost/Valuation						
At 1 July 2010	3,317,415	13,090,568	51,763,129	1,537,183	1,323,143	71,031,438
Additions	-	-	41,650	36,026	-	77,676
Revaluation	1,242,508	-	-	-	-	1,242,508
Disposals	(94,124)	-	(67,540)	(2,540)	(129,152)	(293,356)
At 30 June 2011	4,465,799	13,090,568	51,737,239	1,570,669	1,193,991	72,058,266
Accumulated depreciation						
At 1 July 2010	-	1,509,721	18,596,132	749,980	948,532	21,804,365
Charge for the financial year	-	390,889	2,551,821	155,601	217,169	3,315,480
Disposals	-	-	(41,361)	(519)	(120,542)	(162,422)
At 30 June 2011	-	1,900,610	21,106,592	905,062	1,045,159	24,957,423
Carrying amount						
At 30 June 2011	4,465,799	11,189,958	30,630,647	665,607	148,832	47,100,843
Cost/Valuation						
At 1 July 2009	4,237,715	13,090,568	51,617,516	1,481,517	1,323,143	71,750,459
Additions	-	-	155,613	55,666	-	211,279
Disposals	-	-	(10,000)	-	-	(10,000)
Reclassification to non-current assets held for sales	(920,300)	-	-	-	-	(920,300)
At 30 June 2010	3,317,415	13,090,568	51,763,129	1,537,183	1,323,143	71,031,438
Accumulated depreciation						
At 1 July 2009	-	1,108,432	16,056,354	573,039	699,004	18,436,829
Charge for the financial year	-	401,289	2,544,611	176,941	249,528	3,372,369
Disposals	-	-	(4,833)	-	-	(4,833)
At 30 June 2010	-	1,509,721	18,956,132	749,980	948,532	21,804,365
Carrying amount						
At 30 June 2010	3,317,415	11,580,847	33,166,997	787,203	374,611	49,227,073

3. **Property, Plant and Equipment (cont'd)**

Company	**Office equipment RM**
Cost	
At 1 July 2010	9,289
Additions	1,500
At 30 June 2011	10,789
Accumulated depreciation	
At 1 July 2010	1,330
Charge for the financial year	1,029
At 30 June 2011	2,359
Carrying amount	
At 30 June 2011	8,430
Cost	
At 1 July 2009	9,289
Additions	-
At 30 June 2010	9,289
Accumulated depreciation	
At 1 July 2009	401
Charge for the financial year	929
At 30 June 2010	1,330
Carrying amount	
At 30 June 2010	7,959

(a) The freehold lands were revalued by the Directors based on a valuation carried out by an independent firm of professional valuers in 2011 on the open market value basis.

Had the revalued freehold lands been included in the financial statements at historical cost, the carrying amount of the revalued freehold lands would have been RM3,223,291 (2010: RM3,223,291).

(b) The carrying amount of property, plant and equipment of the Group have been pledged to licensed banks as securities for credit facilities granted to subsidiary companies as disclosed in Note 16 are as follows:

	Group	
	2011 RM	**2010 RM**
Freehold land and buildings	15,655,757	14,898,262
Plant and machinery	30,642,376	33,166,997
Office equipment, furniture and fittings and renovation	645,447	779,244
Motor vehicles	148,832	374,611
	47,092,412	49,219,114

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

(c) The carrying amount of property, plant and equipment acquired under hire purchase are as follows:

	Group 2011 RM	Group 2010 RM
Motor vehicles	95,613	264,553
Plant and machinery	2,154,880	2,279,200
	2,250,493	2,543,753

4. Investment in Subsidiary Companies

	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost	32,698,203	32,698,203
Accumulated impairment losses	(27,222,198)	(27,222,198)
	5,476,005	5,476,005

(a) The subsidiary companies and shareholdings therein are as follows:

Name of company	Country of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Amshore Holdings Sdn Bhd	Malaysia	100	100	Processing, manufacturing and selling of drinking water
Morning Valley Sdn Bhd	Malaysia	100	100	Investment company
Arctic Ice (M) Sdn Bhd	Malaysia	67	67	Distributor of beverages
Corporate Advisory and Re-engineering Services Sdn Bhd	Malaysia	100	100	Corporate finance and consultancy services

5. Other Investment

Group
2011

	Unquoted investments RM
Non Current	
Held-to-maturity investment	3,500,000
Less: Impairment loss	(3,499,999)
	1

5. Other Investment (cont'd)

Group
2010

	Unquoted investments RM
Non Current	
At cost	3,500,000
Represented item:-	
At cost	3,500,000

This is in respect of assets-backed securities comprising Subordinated Bonds ("the Bonds") under the Primary Collateralised Loan Obligation ("Primary CLO") as disclosed in Note 16.

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

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

As disclosed in Note 16, the Company had on 10 May 2011 secured the consent from the Bond Issuer ("Issuer') to settle the Primary CLO under a new Settlement Agreement ("SA"). Under the SA, the Group shall surrender the Bonds to the Issuer at no costs.

During the financial year, the Bonds have been fully impaired in view of a negative rating by the Rating Agency Malaysia.

6. Deferred Tax Assets/(Liabilities)

	Group	
	2011 RM	2010 RM
At 1 July	4,414,108	-
Recognised in statement of comprehensive income	-	4,414,108
At 30 June	4,414,108	4,414,108

Represented after appropriate offsetting as follows:

	Group	
	2011 RM	2010 RM
Deferred tax liabilities	(5,422,952)	(5,422,952)
Deferred tax assets	9,837,060	9,837,060
	4,414,108	4,414,108

This is represented by the components and movements of deferred tax liabilities and assets of the Group prior to its offsetting during the financial year as follows:-

6. Deferred Tax Assets/(Liabilities) (cont'd)

Deferred tax liabilities of the Group:-

	Accelerated capital allowances RM
At 1 July 2010/30 June 2011	(5,422,952)

	Accelerated capital allowances RM
As at 1 July 2009	(4,492,000)
Recognised in statement of comprehensive income	(930,952)
At 30 June 2010	(5,422,952)

Deferred tax assets of the Group:-

	Allowance for doubtful debts RM	Unused tax losses RM	Unutlised capital allowance RM	Total RM
At 1 July 2010/ 30 June 2011	3,830,071	2,684,500	3,322,489	9,837,060

	Allowance for doubtful debts RM	Unused tax losses RM	Unutlised capital allowance RM	Unutilised reinvestment allowance RM	Total RM
At 1 July 2009	2,703,600	-	-	1,788,400	4,492,000
Recognised in statement of comprehensive income	1,126,471	2,684,500	3,322,489	(1,788,400)	5,345,060
At 30 June 2010	3,830,071	2,684,500	3,322,489	-	9,837,060

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group 2011 RM	Group 2010 RM
Unused tax losses	9,986,907	-
Unutilised capital allowance	-	1,857,512
Unutilised reinvestment allowance	27,237,606	26,498,000
	37,224,513	28,355,512

6. Deferred Tax Assets/(Liabilities) (cont'd)

The recognition of deferred tax assets of the Group is dependent on future taxable profits in excess of profits arising from reversed of existing temporary differences. The evidence used to support this recognition is the management's budget, which shows that it is probable that deferred tax assets would be realised in future years.

The unused tax losses and unutilised capital and agriculture allowance are available indefinitely for offset against future taxable profits of the companies in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other companies in the Group and they have arisen in companies that have a recent history of business losses.

7. Inventories

	Group	
	2011	**2010**
	RM	**RM**
Raw materials	959,868	846,258
Work in progress	14,007	-
Finished goods	696,973	460,295
	1,670,848	1,306,553

8. Trade Receivables

	Group	
	2011	**2010**
	RM	**RM**
Trade receivables	18,049,495	18,797,418
Less: Impairment	(15,316,807)	(15,320,285)
	2,732,688	3,477,133

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables.

The currency exposure profiles of trade receivables are as follows:

	Group	
	2011	**2010**
	RM	**RM**
Ringgit Malaysia	1,243,240	1,164,180
Singapore Dollar	1,489,448	2,312,953
	2,732,688	3,477,133

8. Trade Receivables (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	Group	
	2011	**2010**
	RM	**RM**
Neither past due or impaired	903,236	2,325,871
1 - 90 days past due but not impaired	773,786	765,322
91 - 180 days past due but not impaired	362,756	51,028
181 days - 1 year past due but not impaired	177,114	67,552
More than 1 year past due but not impaired	515,796	267,360
	1,829,452	1,151,262
	2,732,688	3,477,133

The trade receivables that are impaired

	Group	
	2011	**2010**
	RM	**RM**
Individually	15,316,807	15,320,285

Accumulated impairment loss

At 1 July	15,320,285	10,814,375
Additions	-	4,513,793
Write back	(3,478)	(7,883)
At 30 June	15,316,807	15,320,285

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. These debtors are mostly long term customers with no history of default in payments. None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group's trade receivables of RM1,829,452 (2010: RM1,151,262) that are past due at the reporting date but not impaired are unsecured. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters hence, periodically monitored. None of the trade receivables that are past due but not impaired have been renegotiated during the financial year.

The Group's normal trade credit term range from 7 to 60 days (2010: 60 to 90 days). Other credit terms are assessed and approved on a case to case basis.

9. Other Receivables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Other receivables	7,800	12,250	-	-
Deposits	9,718,085	9,833,400	-	-
Prepayments	93,553	115,004	30,580	12,050
	9,819,438	9,960,654	30,580	12,050

Included in the deposits of the Group are deposits for purchase of property, plant and equipment of RM9,589,978 (2010: RM9,589,978) representing deposits previously paid to the vendors of the property, plant and equipment. The sale and purchase agreements were mutually terminated with the respective vendors in the previous years. Consequently, the Group has taken legal action in the prior year to recover the deposits from the respective vendors as disclosed in Note 29.

10. Amount Owing by Subsidiary Companies

These represent unsecured interest free advances which are repayable on demand.

11. Fixed Deposit with Licensed Banks

The fixed deposits are ledged to licensed banks as security for bank guarantees as disclosed in Note 16.

The interest rates and maturities of deposits are at 1.0% - 2.5% (2010: 2.5%) per annum and 365 days (2010: 365 days) respectively.

The fixed deposits with licensed banks are held in trust under the name of a Director of the Company.

12. Non-Current Asset Held For Sales

	Group	
	2011	**2010**
	RM	**RM**
At 1 July	920,300	-
Disposal of property, plant and equipment	(920,300)	-
Reclassified from property, plant and equipment	-	920,300
At 30 June	-	920,300

13. Trade Payables

The normal trade credit terms granted to the Company range from 30 to 120 days (2010: 7 to 90 days).

14. Other Payables

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other payables	888,610	497,066	63,559	47,822
Deposit received	648,415	157,000	-	-
Accruals	80,129	3,894,892	77,129	42,123
	1,617,154	4,548,958	140,688	89,945

15. Hire Purchase Payables

	Group	
	2011	2010
	RM	RM
Minimum hire purchase payments		
Within one year	114,965	704,447
Between one and five years	-	111,051
	114,965	815,498
Less: Future finance charges	(2,537)	(35,181)
Present value of hire purchase liabilities	112,428	780,317
Present value of hire purchase liabilities		
Within one year	112,428	671,797
Between one and five years	-	108,520
	112,428	780,317
Analysed as:		
Repayable within twelve months	112,428	671,797
Repayable after twelve months	-	108,520
	112,428	780,317

The effective interest rates of the Group are between 2.30% and 3.90% (2010: 2.30% and 3.90%) per annum.

16. Bank Borrowings

	Group 2011 RM	Group 2010 RM
Secured		
Term loan	15,006,272	12,107,203
Revolving credit	5,439,546	5,398,942
	20,445,818	17,506,145
Unsecured		
Term loan	20,000,000	35,000,000
Total bank borrowings	40,445,818	52,506,145
Analysed as follows:		
Repayable within twelve months		
Secured		
Term loan	4,716,938	812,199
Revolving credit	1,000,000	1,000,000
	5,716,938	1,812,199
Unsecured		
Term loan	20,000,000	-
	25,716,938	1,812,199
Repayable after twelve months		
Secured		
Term loan	10,289,334	11,295,004
Revolving credit	4,439,546	4,398,942
	14,728,880	15,693,946
Unsecured		
Term loan	-	35,000,000
	14,728,880	50,693,946
	40,445,818	52,506,145

The term loans are secured by the following:

(a) Legal charges over certain landed properties of a subsidiary company;

(b) Corporate guarantee by the Company; and

(c) Fixed and floating charges over all present and future assets of a subsidiary company.

16. Bank Borrowings (cont'd)

The revolving credit is secured by the followings:

(a) Legal charge over certain landed properties of a subsidiary company;

(b) Corporate guarantee by the Company; and

(c) Fixed and floating charges over all present and future assets of a subsidiary company.

Maturity of borrowings is as follows:

	Group	
	2011	**2010**
	RM	**RM**
Within one year	25,716,937	1,812,199
Between one and two years	2,271,880	27,173,968
Between two and five years	7,978,393	7,705,384
More than five years	4,478,608	5,814,594
	40,445,818	52,506,145

The weighted average effective interest rate is as follows:

	Group	
	2011	**2010**
	%	**%**
Revolving credits	8.30 - 8.60	8.50 - 8.75
Term loans	8.30 - 8.60	7.05 - 8.30

The unsecured term loans is in connection with the Primary CLO involving the sale, transfer and assignment of Transferred Assets by the lender as vendor to the Issuer as purchaser to issue asset-backed securities, namely the Bonds as disclosed in Note 5.

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

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

On 10 May 2011, the Company secured a consent from the Issuer to settle the Primary CLO of RM35 million via the following exercises:-

(a) issuance of 100,000,000 units of Irredeemable Convertible Preference Shares ("ICPS") at an issue price of RM0.20 per unit by the Company on behalf of the subsidiary company;

(b) issuance of 25,000,000 detachable Warrants issued to the Issuer at no cost on the basis of one Warrant for four ICPS by the Company on behalf of the subsidiary company;

(c) the subsidiary company shall surrender the RM3,500,000 subordinated bonds to the issuer at no costs; and

(d) all outstanding and future interest obligation under the CLO by the subsidiary company shall be waived.

Consequential to the Letter of Consent, the Primary CLO is deemed extinguished and the obligation under the existing CLO contract is discharged accordingly. The Company recognises the differential sum of RM15,000,000 arose from the settlement amount of the Primary CLO as waiver of debt. The Company also recognises an amount of RM4,962,041 being the accrued interest under the Primary CLO as waiver of interest during the financial year.

17. Share Capital

	Number of ordinary shares of RM0.20 each		Amount	
	2011	2010	2011 RM	2010 RM
Authorised share capital				
At 1 July/30 June	500,000,000	500,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 July/30 June	200,000,000	200,000,000	40,000,000	40,000,000

18. Revenue

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

19. Finance Costs

	Group	
	2011 RM	2010 RM
Interest expense on:		
Banker acceptance	74,339	420,424
Revolving credit	520,435	-
Hire purchase	25,573	70,397
Term loans	965,215	696,023
CLO	1,968,055	2,620,420
	3,553,617	3,807,264

20. Profit/(Loss) Before Taxation

Profit/(Loss) before taxation is derived after charging/(crediting):

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Auditors' remuneration				
- current year	43,000	35,000	10,000	6,000
Allowance for doubtful debts	-	4,513,793	-	-
Directors' remuneration				
- fee	72,000	63,000	72,000	63,000
- salaries	282,000	307,414	255,000	285,414
- EPF	25,560	31,320	22,320	28,920
- other emoluments	1,144	1,025	989	922

20. Profit/(Loss) Before Taxation (cont'd)

Profit/(Loss) before taxation is derived after charging/(crediting) (cont'd):

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Depreciation of property, plant and equipment	3,315,480	3,372,369	1,029	929
Impairment loss on investments in subsidiary companies	-	-	-	27,222,198
Impairment loss on other investment	(3,499,999)	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(688,345)	3,667	-	-
Rental of factory	32,700	62,100	-	-
Rental of hostel	17,160	20,160	-	-
Allowance for doubtful debts no longer required	(3,478)	(7,883)	-	-
Loss/(Gain) on foreign Exchange				
- realised	37,828	(5,450)	-	-
- unrealised	(142,028)	12,078	-	-
Interest income	(8,500)	-	-	-
Waiver of CLO interest	(4,962,041)	-	-	-
Waiver of debt	(15,000,000)	-	-	-

21. Taxation

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Current income tax				
- Current tax provision	2,125	-	-	-
- Under provision in prior year	-	8,103	-	8,103
- Real property gain tax	36,862	-	-	-
	38,987	8,103	-	8,103
Deferred tax				
- Relating to origination and reversal of temporary differences	-	(4,414,108)	-	-
Tax expenses/(saving) for the financial year	38,987	(4,406,005)	-	8,103

Income tax is calculated at the Malaysia statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

21. Taxation (cont'd)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Profit/(Loss) before taxation	7,297,151	(14,148,478)	(702,927)	(27,928,912)
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	1,824,288	(3,537,120)	(175,732)	(6,982,228)
Real property gain tax	36,862	-	-	-
Expenses not deductible for tax purposes	4,931,792	940,463	175,732	6,982,228
Income not subject to tax	(2,125)	(23,393)	-	-
Under provision of current taxation in prior year	-	8,103	-	8,103
Reversal of deferred assets not recognised during the financial year	(6,751,830)	(1,794,058)	-	-
Tax expenses/(saving) for the financial year	38,987	(4,406,005)	-	8,103

22. Earnings Per Share

Basic earnings/(loss) per share

The basic earnings/(loss) per share has been calculated based on the consolidated profit after taxation attributable to owners of the parent of RM7,261,838 (2010: consolidated loss RM9,742,472) for the Group and the weighted average number of ordinary shares in issue during the financial year of 200,000,000 (2010: 200,000,000).

23. Staff Costs

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Staff costs (excluding Directors)	2,261,343	2,165,492	89,106	15,556

Included in the staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and the Company amounting to RM186,683 and RM9,142 (2010: RM174,060 and RM1,858).

24. Significant Related Party Transaction

	Company	
	2011 RM	**2010 RM**
Settlement of liabilities on behalf of subsidiary companies - Amshore Holdings Sdn Bhd	117,118	147,426

The Directors are of the opinion that the above transaction has been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

25. Key Management Personnel Compensation

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Short-term employee benefits	924,846	875,147	255,989	296,336
Defined contribution plan	50,964	66,871	22,320	28,920
	975,810	942,018	278,309	325,256

Key management personnel comprise Directors and Executives of the Company, who have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

26. Capital Commitments

	Group	
	2011	2010
	RM	RM
Approved and contracted for:		
- Acquisition of machinery	2,620,000	2,620,000

27. Segment Information

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

(a) Business segment

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

(b) Other segments

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

28. Effects on Financial Statements on Adoption of New Revised FRSs

The effects on adoption of the following new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations in 2011 are set out below:-

FRS 7 Financial Instruments: Disclosures and the consequential amendments resulting from FRS 7 replaces the disclosure requirements of the existing FRS 132 Financial Instruments: Disclosure and Presentation. The standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance.

The standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

28. Effects on Financial Statements on Adoption of New Revised FRSs (cont'd)

FRS 101 Presentation of financial statements (revised), prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity.

All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income), where entities restate or reclassify comparative information, they will be required to present a restated statement of financial positions at the beginning comparative period in addition to the current requirement to present statement of financial position at the end of the current period and comparative period.

FRS 123 Borrowing Costs (revised) which replaces FRS 123_{2004}, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted.

FRS 3: Business Combinations (Revised)

(i) This revised standard allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

(ii) It changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;

(iii) It requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

(iv) It requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the business combination.

FRS 127: Consolidated and Separate Financial Statements (Revised) will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (Revised), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (Revised) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

29. Material Litigation

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

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

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

As a result of which MVSB and its shareholders, the Company and Datuk Seri Krishna Kumar ("DSKK") has entered a private caveat on the piece of land. AQRS has filed these suits to obtain an order to remove the private caveat. The matters are still ongoing. MVSB and the Company are currently in the midst of instituting a civil suit against AQRS for recovery of the said deposit of RM3,000,000.

On 2 November 2010, the Shah Alam High Court ("the Court") ordered the private caveat by DSKK being removed and granted AQRS of a permanent injunction to restrain any further caveat on the particular land by MVSB, the Company and DSKK.

On 9 September 2011, AQRS filed an application to strike out the case and the Court directed both parties to exhaust with the exchange of affidavits on or before 21 November 2011. The Court further scheduled the case management on 29 November 2011 and for hearing to strike out the case on 4 January 2012.

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

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

On 1 April 2011, an order has been made by the Honourable Judicial Commissioner whereby Century Machine been instructed to pay the sum of USD860,106 to AHSB and the balance from the total claim of USD1,500,000 be disposed of a trial.

On 13 June 2011, Century Machine filed an application for a stay of execution of the said judgement on 1 April 2011. The stay application fixed for hearing on 5 October 2011 and later adjourned to 1 November 2011.

30. Financial Instruments

Financial risk management objectives and policies

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

(a) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from borrowings and deposits. The Group does not hedge the interest rate risk.

30. Financial Instruments (cont'd)

(a) Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

	Group	
	2011	**2010**
	RM	**RM**
Floating rate instruments:-		
Term Loans	35,006,272	47,107,203
Revolving credit	5,439,546	5,398,942

Interest rate risk sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increase/decrease equity and profit net of tax by the amounts shown below, assuming all other variables remain constant.

	Profit/(Loss) after taxation	
	50bp	**50bp**
	increase	**decrease**
Group	**RM**	**RM**
Floating rate instruments:-		
Term Loans	(350,063)	350,063
Revolving credit	(54,395)	54,395
	(404,458)	404,458

(b) Credit risk

Exposure to credit risk

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and action is taken to recover debts when due.

Credit risk concentration profile

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

(c) Foreign currency exchange risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The Group maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs.

NOTES TO THE FINANCIAL STATEMENTS

30. Financial Instruments (cont'd)

(c) Foreign currency exchange risk (cont'd)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:-

Functional Currency	Singapore Dollar in RM	Total RM
2011		
Trade receivables	1,489,448	1,489,448
Cash and bank balances	38,792	38,792
	1,528,240	1,528,240
2010		
Trade receivables	2,312,953	2,312,953
Cash and bank balances	92,747	92,747
	2,405,700	2,405,700

Currency risk sensitivity analysis

The following table shows the sensitivity of the Group's equity and profit net of tax to a reasonably possible change in the SGD exchange rates against the respective functional currencies of the Group entities, with all other variables remain constant.

	Equity RM	Profit net of tax RM
SGD/RM – strengthening 5%	76,412	76,412

A 5% weakening of RM against the above currencies at the end of the reporting period would have had equal opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Liquidity and cash flow risk

The Group seeks to achieve a flexible and cost effective borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities. Debt maturities are structured in such a way to ensure that the amount of debt maturing in any one year is within the Group's ability to repay and/or refinance.

The Group also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

30. Financial Instruments (cont'd)

(d) Liquidity and cash flow risk

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	On demand or within one year RM	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities:				
Trade and other payables	3,330,422	-	-	3,330,422
Hire purchase	112,428	-	-	112,428
Bank borrowings	25,716,937	10,250,273	4,478,608	40,445,818
	29,159,787	10,250,273	4,478,608	43,888,668

(e) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, short term borrowings and short term intercompany balances approximate their respective fair values at the reporting date due to the relatively short term nature of these financial instruments. The aggregate fair values of the other financial liabilities as at 30 June 2011 are as follows:

	2011		**2010**	
	Carrying amount RM	**Fair values RM**	**Carrying amount RM**	**Fair values RM**
Financial liabilities				
Bank borrowings	14,728,880	9,402,255	50,693,946	44,165,480
Hire purchase payables	-	-	108,520	99,702

The fair value of the hire purchase payables and bank borrowings are estimated using the discounted cash flow analysis. Based on the prevailing borrowing rates of similar borrowings with the same maturity profile obtainable by the Company, the carrying values of the long term borrowings approximate their fair values.

31. Capital Management

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio within reasonable levels.

	2011 RM	**2010 RM**
Borrowings	40,445,818	52,506,145
Hire purchase	112,428	780,317
Less: Cash and cash equivalents	(118,388)	(304,880)
Net borrowings	40,439,858	52,981,582
Equity attributable to owners of the parent	22,452,922	13,948,576
Gearing ratio	1.80	3.80

There were no changes to the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

32. Realised and Unrealised Profits/Losses (Supplementary Information)

	Group RM	Company RM
Total accumulated losses of the Company and its subsidiary companies:-		
Realised losses	(21,642,891)	(29,113,006)
Unrealised loss	-	-
	(21,642,891)	(29,113,006)

Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure set out by the Bursa Malaysia Securities Berhad.

The above disclosure of realised and unrealised profits or losses is made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purpose.

33. Contingent Liability

	Group	
	2011 RM	2010 RM
Waiver of debt and accrued interest for the Primary CLO upon fulfillment of conditions as stipulated in the Settlement Agreement as disclosed in Note 16	19,962,041	-

34. Comparative Figures

Certain comparative figures as at 30 June 2010 have been reclassified to conform to the current financial year's presentation:

	As previously reported RM	Reclassification RM	As restated RM
Group			
Statements of Comprehensive Income			
Cost of sales	(16,399,550)	9,449	(16,390,101)
Administrative expenses	(2,562,137)	(9,449)	(2,571,586)

The financial statements of the previous financial year which are presented for comparatives purposes were examined and reported on by another firm of auditors.

35. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 31 October 2011.

List of Properties as at 30 June 2011

Location	Description	Existing Use	Tenure / Expiry of Lease	Approx age of Building	Unit/Acreage	Major encumbrances	Net book value as at 30/06/2011 (RM'000)
Amshore 1A, 1A-1, 1A-2, Jalan Kpg. Sg. Suloh, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor. H.S.(M) 1476 PTD 2138, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Medium industrial building	Coporate head office Processing & manufacturing full-automated bottled RO water Warehouse	Freehold	Less than 5 years	256,220 sq ft / 84,550 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No. 1502/2009	14,089
Amshore No. 1, Jalan Budi Tengah, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor. Geran 119490 Lot 8351, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Light industrial building	Processing & manufacturing semi-automated bottled RO water	Freehold	Less than 15 years	13,455 sq ft / 5,400 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No. 19885/2009	1,052
Amshore No.3, Jalan Budi Tengah, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor. Geran 119491 Lot 8352, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Light industrial building	Warehouse	Freehold	Less than 15 years	20,139 sq ft / 4,800 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No. 19885/2009	332

Revaluation Policy

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

The freehold lands were revalued by the Directors based on a valuation carried out by an independant firm of professional valuers in 2011 on market value basis.

Analysis of shareholdings as at 31 October 2011

Authorised capital	:	RM100,000,000.00 divided into 500,000,000 ordinary shares of RM0.20 each
Issued and fully paid-up capital	:	200,000,000 ordinary shares of RM0.20 each
Voting rights	:	One vote for one ordinary share

ANALYSIS OF SHAREHOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
7	Less than 100	378	0.00
282	100 – 1,000	235,100	0.12
772	1,001 - 10,000	4,231,500	2.12
325	10,001 to 100,000	12,420,150	6.21
98	100,001 to less than 5% of issued shares	91,546,248	45.77
3	5% and above of issued shares	91,566,624	45.78
1,487		**200,000,000**	**100.00**

THIRTY LARGEST SHAREHOLDERS

	Name of shareholder	Number of shares	Percentage of shares
1.	Perbadanan Nasional Berhad	41,566,624	20.78
2.	True Profit Holdings Limited	25,000,000	12.50
3.	Sure Talent Holdings Limited	25,000,000	12.50
4.	OSK Nominees (Tempatan) Sdn Berhad DBS Vickers Secs (S) Pte Ltd for Teo Han Tong	9,980,000	4.99
5.	Teo Soon Hui	9,885,300	4.94
6.	Trade Eagle Investments Limited	9,849,200	4.92
7.	Teo Soon Kee	9,450,000	4.72
8.	Fortina Investments Limited	7,065,400	3.53
9.	Lembaga Tabung Haji	4,820,000	2.41
10.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hamzah Bin Mohd Salleh	3,755,317	1.88
11.	Chang Chun-Pei	2,055,100	1.03
12.	Ong Teck Wan	1,960,000	0.98
13.	Tan Teck Boo	1,930,300	0.97

Analysis of shareholdings as at 31 October 2011

THIRTY LARGEST SHAREHOLDERS (CONT'D)

Name of shareholder	Number of shares	Percentage of shares
14. Affin Nominees (Tempatan) Sdn Bhd Core Capital Management Sdn Bhd for Samudra Jejaka Sdn Bhd	1,500,000	0.75
15. Chan Lee Yuen	1,390,000	0.70
16. Tan Ah Piew	1,150,000	0.57
17. Cynthia Mary Lim Kim Ean	1,100,000	0.55
18. Leong Chin Hai	1,015,000	0.51
19. Ng Bok Wah	1,000,000	0.50
20. Rescom International Limited	1,000,000	0.50
21. Chai Mooi Chong	857,000	0.43
22. OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Tham Kok Hoi	835,600	0.42
23. Kuo Yin Ho	761,400	0.38
24. Goh Sin Tien	700,000	0.35
25. Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Boh Huat	653,000	0.33
26. Yong Seit Leng	620,000	0.31
27. Tan Choi Khow	600,000	0.30
28. Chew Mee Yan	563,300	0.28
29. Tan Ah Ba @ Tan Boon Leng	550,000	0.28
30. Fong Chan @ Thong Fong Chan	550,000	0.28

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of Bio Osmo Berhad will be held at KKLUB Berhad, Jalan Melawati 3, Taman Melawati, 53100 Kuala Lumpur, Malaysia on Tuesday, 20 December 2011 at 9.00 a.m. for the following purposes: -

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2011 together with the Directors' and Auditors' Report thereon.

2. To approve the payment of Directors' Fees of RM72,000.00 for the financial year ended 30 June 2011. **RESOLUTION 1**

3. To approve the service contract of the top management of the Company. **RESOLUTION 2**

4. To re-elect the following Directors who retire during the year in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election: -

   - Wong Kok Seong - Article 127 **RESOLUTION 3**
   - Assoc. Prof. Dr. Mohd Amy Azhar bin Haji Mohd Harif - Article 132 **RESOLUTION 4**
   - Yang Chin Kar - Article 132 **RESOLUTION 5**

5. To re-appoint Messrs Morison Anuarul Azizan Chew as auditor of the Company and authorise the Directors to fix their remuneration. **RESOLUTION 6**

SPECIAL BUSINESS

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

   ORDINARY RESOLUTION

   AUTHORITY TO ALLOT SHARES - SECTION 132D **RESOLUTION 7**

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

7. To transact any other business appropriate to an Annual General Meeting.

Notice of Annual General Meeting

BY ORDER OF THE BOARD

LEONG SIEW FOONG (f)
MAICSA NO. 7007572
Company Secretary

Johor Bahru
Date: 26 November 2011

NOTES: -

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

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

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

4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

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

6. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Symphony Corporatehouse Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

EXPLANATORY NOTES ON ORDINARY RESOLUTION: -

(i) Ordinary Resolution 2

Details of the service contract of the top management will be made available at the Annual General Meeting.

(ii) Ordinary Resolution 7

The Ordinary Resolution No. 7, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting.

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

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements, appended hereunder is:

DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

ASSOC. PROF. DR. MOHD AMY AZHAR BIN HJ. MOHD HARIF, Malaysia citizen, aged 38, is an **NON-INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He became a member of the Board Directors on 18 August 2011.

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

Highly regarded as franchise industry expert and Franchise Consultant. His extensive exposure in franchise industry involved research, consultation and presentation of papers relating to franchise, finance and entrepreneur locally and abroad. Assoc. Prof. Dr. Mohd Amy Azhar bin Haji Mohd Harif was appointed by MECD as Committee member of National Franchise Master Plan, Master Franchise Product Development and Malaysia Franchise Advisory Board.

He does not have any directorship in other public company, family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. He dose not have any securities holdings in the Company and subsidiaries.

He has not been convicted of any offences within the past ten years other than traffic offence.

YANG CHIN KAR, Malaysia citizen, aged 36, is an **EXECUTIVE DIRECTOR** of the Company. He became a member of the Board Directors on 10 October 2011.

Mr Yang received his education at Sri Garden School in Kuala Lumpur.

Mr. Yang Chin Kar has over 15 years working experience in the field of sales and marketing, in particular the food and beverage industry.

He began his career as a Sales Executive for a trading company in Malaysia, where he gained extensive working experience and exposure to the regional sales and marketing environment. He later joined a regional trading company, as its Chief Operating Officer. His scope of work was predominately in developing a wide range of beverages and healthcare products, where the distribution network extended to the entire Asean region, as well as the Greater China and South Asia (India, Sri Lanka, Bangladesh etc).

Mr. Yang's appointment is to spearhead the growth of the Company's existing products, namely Reverse Osmosis bottled water and Arctic Ice Energy Drink. He will also be involved in developing new beverage products to complement the Company's existing product range.

He does not have any directorship in other public company, family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. He dose not have any securities holdings in the Company and subsidiaries.

He has not been convicted of any offences within the past ten years other than traffic offence.

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

FORM OF PROXY

CDS ACCOUNT NO.	NO. OF SHARES HELD

I/We____ of ________________

____

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

____ (NRIC No.__________________) of _______________

____ or failing whom,

____ (NRIC No.__________________) of _______________

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

____ (NRIC No.__________________) of _______________

____

or failing whom, ____ (NRIC No.__________________)

of ____

as my/our proxy to vote for *me/us and on *my/our behalf at the **Fifth Annual General Meeting** of the Company to be held at **KKLUB Berhad, Jalan Melawati 3, Taman Melawati, 53100 Kuala Lumpur, Malaysia** on **Tuesday, 20 December 2011** at **9.00 a.m.** and, at every adjournment thereof *for/against the resolutions to be proposed thereat.
The proportion of *my/our proxies are as follows:
(This paragraph should be completed only when two proxies are appointed)

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

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

Agenda	Resolution	For	Against
To approve the payment of Directors' Fee of RM72,000.00 for the financial year ended 30 June 2011.	1		
To approve the service contract of the top management	2		
To re-elect the following Directors retiring according to the Company's Articles of Association: -			
- Wong Kok Seong - Article 127	3		
- Assoc. Prof. Dr. Mohd Amy Azhar bin Haji Mohd Harif - Article 132	4		
- Yang Chin Kar - Article 132	5		
To appoint Messrs Morison Anuarul Azizan Chew as Auditor of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	6		
To authorise the allotment of shares pursuant to Section 132D.	7		

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

____
Signature of Member(s)

As witness my hand this ______ day of ______________________ 2011

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5. The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation under its common seal or the hand of its attorney.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Symphony Corporatehouse Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

AFFIX
STAMP

The Company Secretary

BIO OSMO BERHAD (740838-A)

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

2ND FOLD HERE

1ST FOLD HERE