BIO OSMO BERHAD

Annual Report 2012

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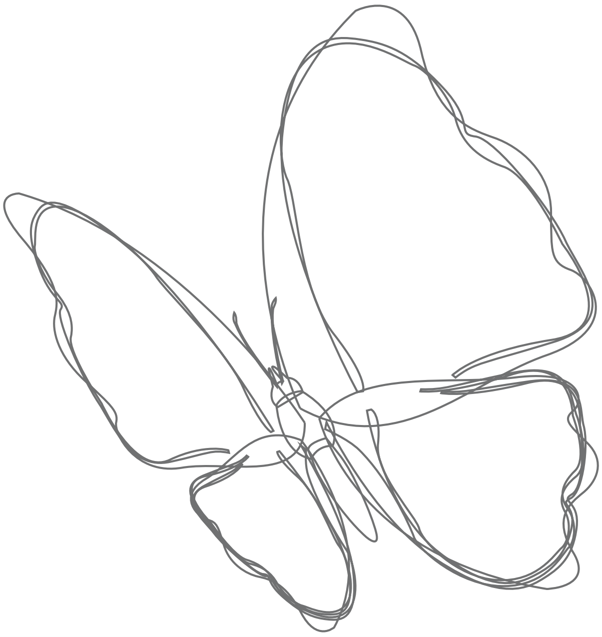


Corporate Information

BOARD OF DIRECTORS

Datuk Seri Krishna Kumar A/L Sivasubramaniam, J.P. [1]
Managing Director

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

Mr Wong Kok Seong
Independent Non-Executive Director

En Auzir Bin Mohd Yaacob
Independent Non-Executive Director

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

Mr Lee Choong Choy [3]
Alternate Director to Yang Chin Kar/
Deputy Chief Operating Officer

Note:-
[1] *Resigned as Managing Director on 30 June 2012.*
[2] *Appointed as Deputy Chief Executive Officer on 22 February 2012.*
[3] *Redesignated from Independent & Non-Executive Director to Non-Independent & Executive Director and appointed as Deputy Chief Operating Officer on 22 February 2012.*

AUDIT COMMITTEE

Mr Wong Kok Seong	*Chairman*
En Auzir Bin Mohd Yaacob	*Member*
Assoc. Prof. Dr. Mohd Amy Azhar bin Hj. Mohd Harif [4]	*Member*

Note:-
[4] *Appointed as Member of Audit Committee on 6 January 2012.*

NOMINATION COMMITTEE

Mr Wong Kok Seong	*Chairman*
En Auzir Bin Mohd Yaacob	*Member*

REMUNERATION COMMITTEE

Mr Wong Kok Seong	*Chairman*
En Auzir Bin Mohd Yaacob	*Member*

COMPANY SECRETARY

Ms Siew Suet Wei
MAICSA No. 7011254

Mr Paramalingam A/L J. Doraisamy
BC/P/150

REGISTERED OFFICE

3A12, Block A, Lobby 3
Damansara Intan, 1 Jalan SS 20/27
47400 Petaling Jaya, Selangor
Tel: +603 7728 8007
Fax: +603 7727 1007

AUDITOR

Morison Anuarul Azizan Chew (AF 001977)
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
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

SOLICITORS

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

STOCK EXCHANGE LISTING

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

WEBSITE

www.bioosmobhd.com

BIO OSMO BERHAD

100%

AMSHORE HOLDINGS SDN BHD

Process, manufacture and distribute of drinking water and other beverages

51%

ARCTIC ICE (M) SDN BHD

*Licensee and distributor for **"Artic Ice"** label energy drinks and other beverages*

*

100%

CORPORATE ADVISORY & RE-ENGINEERING SERVICES SDN BHD

Provide corporate finance and administrative functions

100%

MORNING VALLEY SDN BHD

Investment Company

** This subsidiary was disposed on 26 March 2012*

Board of Directors' Profile

Yang Chin Kar
Executive Director, *Malaysian, aged 37*

Mr. Yang was appointed to the Board on 10 October 2011. On 22 February 2012 he was also appointed as Deputy Chief Executive Officer for the Group, in addition to his role as Executive Director. He oversees the overall operations of the Group, in particular the sales & marketing and production division.

He has over 16 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 attended all six (6) Board Meetings since his appointment to the 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
Independent Non-Executive Director
Chairman of Audit Committee
Chairman of Remuneration Committee
Chairman of Nomination Committee
Malaysian, aged 43

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

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

Mr. Wong has attended all seven (7) Board Meetings held during the financial year ended 30 June 2012. He has no family relationship with any other Director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 10 years.

Auzir bin Mohd Yaacob
Independent Non-Executive Director
Member of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee
Malaysian, aged 60

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 2012. He has no family relationship with any other Director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 10 years.

Assoc. Prof. Dr. Mohd Amy Azhar bin Haji Mohd Harif
Non-Independent Non-Executive Director
Member of Audit Committee
Malaysian, aged 39

Assoc. Prof. Dr. Amy was appointed to the Board on 18 August 2011 as a representative of 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.

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

He has attended four (4) out of seven (7) Board Meetings since his appointment to the 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.

Lee Choong Choy
Alternate Director to Mr. Yang Chin Kar
Malaysian, aged 53

Mr. Lee was appointed as Alternate Director to Mr. Yang Chin Kar on 10 October 2011. He was later appointed as Deputy Chief Operating Officer for the Group on 22 February 2012.

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.

Dear Shareholders,

It is an honour to speak with you for the first time as your Executive Director. This year, I am pleased to share with you that our Company is finally seeing the light at the end of the tunnel as we embark on our forthcoming corporate exercise to rejuvenate our company and take it to greater heights. This is the last of our comprehensive three-stage initiatives, begun when the new management took over the helm of our Company in August 2009. We call this our Stage 3 Initiative – Corporate Re-engineering.

During the first leg of our reconstruction exercise, spanning over the 2009 – 2010 period, we undertook a massive and aggressive 'house cleaning' exercise, where we wrote off over RM15 million in doubtful debts. The team also worked hard to recover old debts, some through legal avenues. That was the Stage 1 Initiative – House Cleaning exercise.

Then, we introduced our Stage 2 Initiative – Operational rejuvenation, which was implemented during the last 18 months. We brought in new talent into our Company to revive our Reverse Osmosis (RO) bottled drinking water business. We appointed an internal auditor to address our shortcomings, and to advise us on the remedies. We adopted and implemented good corporate governance to restore the integrity of our Company. Financial and operational best practises were introduced across the board. New sales and marketing strategies were implemented to capitalise on our niche, while we forego non-lucrative segments of the bottled water business. We also reinvented production procedures to defend the eroding profit margins due to rising materials and utility costs. Consultants were hired to assist us in maximising our capabilities based on existing production facilities, with the focus on freeing up the production bottlenecks. Thus, we managed to improve our overall production capacity by almost 40%.

Now we are ready for our final third stage of putting our Company back on track for future growth. In the very near term, you will hear from us the details of our proposed corporate exercise, which, inter alia, involves the redemption of the RM35 million Collateralised Loans Obligations (CLO), bullet repayment of RM23 million in bank loans due to Bank Kerjasama Rakyat Malaysia Bhd, and close to RM10 million outstanding payables – most of them are long-overdue payments owing to our materials suppliers. All in all, it is a RM70 million debt repayment exercise. These are the thorns of our Company which we hope to wipe out once-and-for-all, bearing in mind that all these were inherited from the past management prior to August 2009.

As reported in our Notes to the Financial Statement attached herein, both the CLO bondholders and Bank Rakyat have given their consent to our repayment scheme. And so have the creditors from whom we have also obtained the blessings to undertake the repayment scheme. Our Investment Banker is in the midst of finalising the corporate proposal as I write this letter. Once finalised, it will be announced to the public, in accordance with Bursa Malaysia's listing guideline. We are deeply indebted to TMS Trustees Malaysia Bhd, the trustee for the CLO bondholders; as well as Bank Rakyat for their patience and willingness to work together with us to resolve the matters.

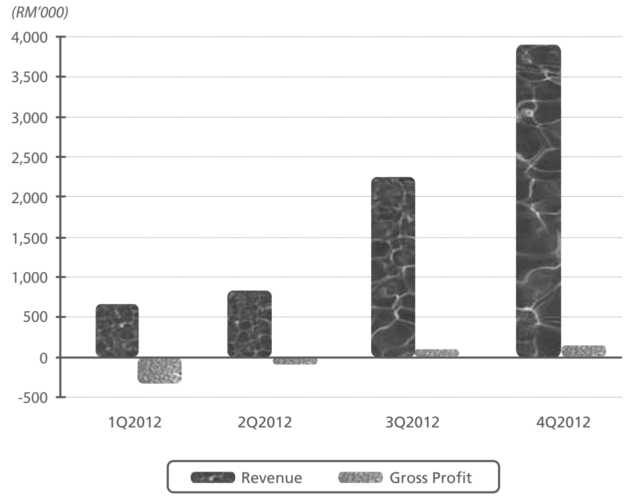
Whilst I am not at liberty to say too much about the proposed corporate exercise at the moment, pending the final confirmation and public release of scheme, what I can share with you is that this exercise will involve the issuance of securities to our creditors and designated parties. We hold strong belief that we should not unnecessarily burden our existing shareholders to fork out money to pay off our Company's debt. Nonetheless, the new share issuances will have a dilution effect to existing shareholders. Rest assured, the net impact will be marginal as once the exercise is completed our Company will become debt free. In fact, we hope to restore the values of your shareholdings in our Company once this is done. This will allow us to focus on the rebuilding of our Company and not to waste unnecessary resources to pay off the past dues.

Therefore, we are very optimistic that our Stage 3 Initiative will be the one that will put our Company back on track for growth. My fellow board members and I are eager to see this happening. I would like your full support given to us to implement this proposal during the Extraordinary General Meeting to be called in due course.

Speaking of growth, let me also share with you what our Company has embarked on lately. As you may be aware, our RO water bottling plant is based in Batu Pahat, Johor. That places us in an advantageous position to supply our products to Singapore, which is currently contributing to over 50% of our total output. This is a big market and the returns are lucrative. But it is also a double-edge sword. Being in Johor, it makes our products less competitive in the Klang Valley due to the high cost of transportation. As such, we have recently secured a lease of a modest factory in the Klang Valley, where we will relocate some of our excess capacities from Batu Pahat to this new site. We are confident that this approach will not only make our presence in the Klang Valley an impactful one, but in going forward it will also elevate the efficiency level of the Batu Pahat plant by operating in a more "compact" manner. But let me assure you that we will not compromise our product quality in anyway. It is a win-win solution which we are determined to carry out. My team and I will be working wholeheartedly to make this the turning point of our business. Let's call this our Stage 4 initiative – heading toward the promised land. I am hopeful we can do it, and do it right.

For the financial year ended 30 June 2012, our Company as a group recorded a revenue of RM7.78 million, against RM14.12 million posted during the previous financial year. At the gross level, we recorded a loss of RM3.09 million versus a loss of RM2.17 million a year ago. At a net level, we reported a loss after tax of RM9.21 million, including the writeback of RM1.1 million in deferred tax assets, compared with a net profit after tax of RM7.26 million registered in FY2011. Worth noting is that FY2011's results included a one-time writeback of RM19.96 million as waiver of principal and accrued interest on the CLO.

Although our numbers are still not exciting, I am pleased to report that our Company has shown improvements on a quarter to quarter basis. Sales has improved from a mere RM660,000 during the first quarter (July to Sept 2011) to RM3,900,000 in the fourth quarter (April to June 2012). Gross Profits have returned to the black from a loss of RM334,000 recorded during the first quarter, breakeven level during the second and third quarters, and a modest RM145,000 in the fourth quarter. This trend clearly suggested that we have bottomed out, and is heading for a strong recovery. It is worth noting that we did all these without additional loans from financial institutions.



The new management team inherited the operations of this Company from the second half of 2009 when it had succumbed to various financial and operational problems. I am glad that we have finally pulled this through with hard work, determination and ingenuity of ideas. We owe this to the management staff for their hardwork and sacrifices. I would like to record our appreciation to Dato' Seri Krishna Kumar for he was the key person leading the revival of our Company during his tenure as Managing Director during this crucial period until his recent resignation from the Board on 30 June 2012. We thank him for his services and owe him greatly, for his leadership and management acumen. It was he who was instrumental in the execution of our house cleaning exercise, operational rejuvenation and the corporate re-engineering exercise – the three stages of recovery we much embraced. He will go down in the history of Bio Osmo as the corporate doctor who resuscitated our Company from the critical condition it suffered. We are indeed sad to let him go. Though not holding any position in the Company now, I am delighted that he has agreed to continue guiding us throughout our corporate exercise.

My message will not be complete if I fail to praise the unsung heroes in the Company who have contributed tremendously in this journey during the last few years. My fellow Board members and I would like to congratulate them for a well deserving appreciation.

To our suppliers, some of whom have been with us since our Company's inception days, I like to thank them for their continued support and confidence is us, in particular those who have consented to participate in our debt repayment scheme. We cannot be luckier to be their business partner. Equally, I would also like to extend our appreciation to our loyal customers. We vow to continue preserving our assurance to them - on time delivery of quality products.

As always, we would also like to extend our gratitude to you, our shareholders for your interests and trust in us. Our job is to create values for the Company, and to deliver good financial performance to you. We will stay committed to these obligations.

Yang Chin Kar, Jimmy
Executive Director

Statement on Corporate Governance

The Board of Directors of Bio Osmo Berhad is committed to the maintenance of high standards of corporate governance by implementing the principles and best practices set out in Part 1 and 2 of the Malaysian Code of Corporate Governance ("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 2012.

(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 four (4) members of whom one (1) is the Executive Director, 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 Director is primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group's operations and developing the Group's business strategies. The Independent Non-Executive Directors provide objective and independent judgment on issues of strategy, performance, policies and resources.

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

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

(ii) Board Meetings

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

For the financial year ended 30 June 2012, the attendance of the Directors is as follows:-

Director	No. of meetings attended
Dato' Hamzah bin Mohd Salleh [1]	1/1
Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam [2]	7/7
Mr Yang Chin Kar [3]	6/6
Mr Wong Kok Seong	7/7
En Auzir bin Mohd Yaacob	7/7
Assoc Prof Dr Mohd Amy Azhar bin Haji Mohd Harif	4/7

[1] *Resigned with effect from 18 October 2011*
[2] *Resigned with effect from 30 June 2012*
[3] *Appointed on 10 October 2011*

(A) DIRECTORS (Cont'd)

(iii) Supply of information

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

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

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

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

(iv) Directors' Training and Development programmes

All the Directors 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.

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.

(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 it currently comprises the following members:

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

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.

(A) DIRECTORS (Cont'd)

(v) Appointment of Directors (cont'd)

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 2012, the attendance of the Members at the Nomination Committee is as follows:-

Members	No. of meetings attended
Mr. Wong Kok Seong	2/2
En. Auzir bin Mohd Yaacob	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 calibre needed to successfully manage the Group's business.

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

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

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

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

Details of the Directors' remuneration are disclosed in Note 19 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.

(B) DIRECTORS' REMUNERATION (Cont'd)

Number of Directors whose remuneration falls into the following bands:

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

For financial year ended 30 June 2012, none of the Directors were offered share options under the Company's Employee Share Option Scheme.

(C) SHAREHOLDERS AND INVESTORS

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

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

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

(D) ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

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

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

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

(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 in Pages 20 to 21 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 16 to 19 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 2012, 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 2012.

(ii) Share Buyback

There were no share buyback transactions involved in the financial year ended 30 June 2012.

(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 2012.

(iv) Depository Receipt Programme

The Group and its subsidiaries have not sponsored any Depository Receipt Programme for the financial year ended 30 June 2012.

(E) ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

(v) Sanctions and/or Penalties

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

(vi) Material Contracts

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

(vii) Revaluation of Landed Properties

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

(viii) Non-Audit Fees

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

(ix) Corporate Social Responsibilities

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

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

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

(xi) Variation in results

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

(xii) 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 CLO. The Agreement is currently being finalised, which will be signed by the parties concerned within the next one month.

On 30 October 2012, The Company has also received a consent letter from Bank Kerjasama Rakyat (M) Bhd, pertaining to the repayment of the entire RM22,657,562 (as at 31 October 2012) loan outstanding. The Company will be appointing an investment banker soon to assist in the exercise, as well as the CLO redemption scheme.

Audit Committee Report

COMPOSITION AND MEMBERSHIP

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

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

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

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

TERMS OF REFERENCE

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

Objective

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

Composition

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

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

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

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

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

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

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

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

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

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

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

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

Chairman

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

Secretary

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

Meetings and Minutes

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

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

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

Authority

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

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

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

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

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

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

i. 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 financial statements, prior to the approval by the board of directors, focusing particularly on

      - changes in or implementation of major accounting policy changes;
      - significant and unusual events; 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;

Functions and Duties (Cont'd)

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.

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

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

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

MEETINGS

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

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

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

   a. the quorum of Committee is met;

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

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

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

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

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

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

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

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

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

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

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

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

MEETINGS (Cont'd)

The Audit Committee held five (5) meetings during the financial year ended 30 June 2012 and the attendance of each Audit Committee member are as follows:

Members	No. of meetings attended
Dato' Hamzah bin Mohd Salleh [1]	1/1
Mr Wong Kok Seong	5/5
En Auzir bin Mohd Yaacob	5/5
Assoc Prof Dr Mohd Amy Azhar bin Haji Mohd Harif [2]	0/2

[1] *Resigned with effect from 18 October 2011*
[2] *Appointed as a member of the Audit Committee on 6 January 2012*

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 specialising in internal audit work. For the financial year ended 30 June 2012, the cost incurred for internal audit function was RM12,000. The internal auditor reported to the Audit Committee and carried out the audit reviews in accordance with the internal audit plan. The audit findings and recommendations were forwarded to the management concerned for attention and necessary action. The Audit Committee reviewed and deliberated the internal audit reports and relevant issued presented during the regular Audit Committee meetings.

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

i. Financial control

   a. Conduct independent reviews on financial controls, including financial forecast and budgeting processing involving recording, reporting and monitoring processes;

   b. Expenditure cycle covering approval and disbursements for petty cash and purchasing process;

   c. Collections, bank and cash reconciliation;

ii. Review on controls over production processes and verification of wastage control; and

iii. Follow-up on previous internal audit report in the areas of marketing, sales management, sales order processing and business development.

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 2012.

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. The Audit Committee together with our outsourced internal audit firm, independently reviews the risk identification procedures implemented by the Management to ensure the effectiveness of the Group's system of internal control. The 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 and recommendations;
- Conducted reviews and updates of risk profiles including emerging risks and re-rated principal risks;
- Evaluated the adequacy of key processes, systems, and internal controls in relation to the rated principal risks, and established strategic responses, actionable programmes and tasks to manage the aforementioned and/or eliminate performance gaps;

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.

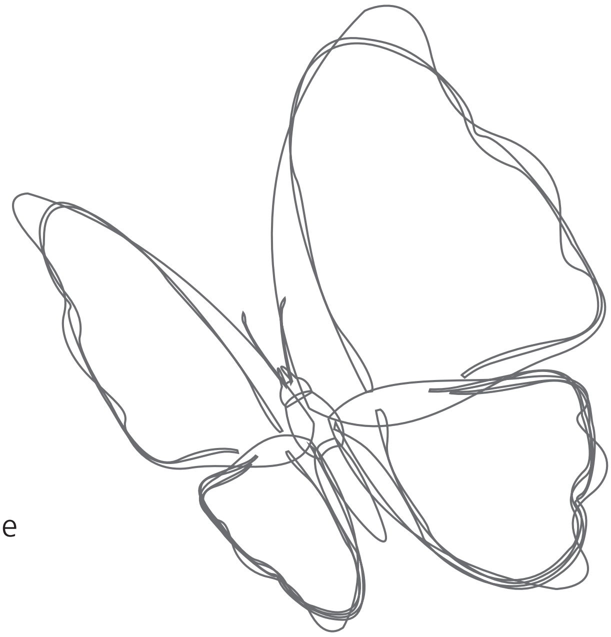
- Active participation and involvement by the Executive Director and senior management staff in the day-to-day operation of the whole Group.

CONCLUSION

During the financial year ended 30 June 2012, 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.

Financial Statements



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 2012.

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
Loss attributable to owners of the Company	(9,213,414)	(310,329)

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:

Auzir Bin Mohd Yaacob	
Wong Kok Seong	
Dr. Mohd Amy Azhar bin Haji Mohd Harif	
Yang Chin Kar	
Lee Choong Choy	(alternate Director to Yang Chin Kar)
Datuk Seri Krishna Kumar A/L Sivasubramaniam	(resigned on 30.6.2012)

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 1.7.2011	**Acquired**	**Disposal**	**At 30.6.2012**
Direct interest				
Auzir Bin Mohd Yaacob	10,000	-	-	10,000
Wong Kok Seong	10,000	-	-	10,000

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

(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.

Other Statutory Information (Cont'd)

(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 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial 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, do not seek for re-appointment.

Signed in accordance with a resolution of the Directors.

LEE CHOONG CHOY | **YANG CHIN KAR**

KUALA LUMPUR

Statement by Directors

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

We, LEE CHOONG CHOY 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 29 to 67 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 financial position of the Group and of the Company as at 30 June 2012 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.

LEE CHOONG CHOY | **YANG CHIN KAR**

KUALA LUMPUR

Statutory Declaration

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

I, KHOO KENG SENG, 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 29 to 67 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 KHOO KENG SENG at)
Batu Pahat in Johor Darul Takzim this)
)

KHOO KENG SENG

Before me,

PESURUHJAYA SUMPAH
J 122
TALIB
BIN ADAM
MALAYSIA

COMMISSIONER FOR OATHS

37-2 A, Jalan Mohd Salleh,
83000 Batu Pahat, Johor.

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 2012 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 29 to 67.

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. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 the 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 Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also involves 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 are 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 the Company as at 30 June 2012 and of their financial performance and cash flow for the financial year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 2(a), Note 9 and Note 15 to the financial statements which describe the uncertainties related to the outcome of such matters disclosed.

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 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 of the Act.

Other Matters

The supplementary information set out in Note 31 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: 1729/05/14 (J/PH)
Partner of Firm

KUALA LUMPUR

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	3	43,952,059	47,100,843	7,351	8,430
Investment in subsidiary companies	4	-	-	6,218,076	5,476,005
Other investment	5	1	1	-	-
Deferred tax assets	6	3,395,108	4,414,108	-	-
		47,347,168	51,514,952	6,225,427	5,484,435
Current Assets					
Inventories	7	2,098,043	1,670,848	-	-
Trade receivables	8	3,411,166	2,732,688	-	-
Other receivables	9	9,824,953	9,819,438	534	30,580
Tax recoverable		55,354	53,139	-	-
Amount owing by subsidiary companies	10	-	-	7,888,797	8,358,071
Fixed deposits with licensed banks	11	328,229	428,463	-	-
Cash and bank balances		153,148	118,388	462	7,901
		15,870,893	14,822,964	7,889,793	8,396,552
Current Liabilities					
Trade payables	12	4,747,605	1,713,268	-	-
Other payables	13	4,692,816	1,617,154	685,250	140,688
Hire purchase payables	14	4,691	112,428	-	-
Bank borrowings	15	40,537,115	25,716,938	-	-
		49,982,227	29,159,788	685,250	140,688
Net current (liabilities)/assets		(34,111,334)	(14,336,824)	7,204,543	8,255,864
		13,235,834	37,178,128	13,429,970	13,740,299
Financed by:					
Share capital	16	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	1,242,508	-	-
Accumulated losses		(30,859,979)	(21,642,891)	(29,423,335)	(29,113,006)
Equity attributable to owners of the Company		13,235,834	22,452,922	13,429,970	13,740,299
Non-controlling interest		-	(3,674)	-	-
		13,235,834	22,449,248	13,429,970	13,740,299
Non -Current Liability					
Bank borrowings	15	-	14,728,880	-	-
		13,235,834	37,178,128	13,429,970	13,740,299

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

Statements of Comprehensive Income
For The Financial Year Ended 30 June 2012

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Revenue	17	7,782,558	14,122,664	-	-
Cost of sales		(10,876,969)	(16,294,684)	-	-
Gross loss		(3,094,411)	(2,172,020)	-	-
Other operating income		265,999	20,991,819	-	-
Selling and distribution costs		(1,599,409)	(1,892,275)	(52,816)	(113,070)
Administrative and general expenses		(2,233,182)	(6,076,756)	(257,513)	(589,857)
(Loss)/Profit from operations		(6,661,003)	10,850,768	(310,329)	(702,927)
Finance costs	18	(1,533,411)	(3,553,617)	-	-
(Loss)/Profit before taxation	19	(8,194,414)	7,297,151	(310,329)	(702,927)
Taxation	20	(1,019,000)	(38,987)	-	-
Net (loss)/profit for the financial year		(9,213,414)	7,258,164	(310,329)	(702,927)
Other comprehensive income					
Revaluation of land and building		-	1,242,508	-	-
Total comprehensive (loss)/profit for the financial year		(9,213,414)	8,500,672	(310,329)	(702,927)
(Loss)/Profit for the financial year attributable to:					
Owners of the Company		(9,213,414)	7,261,838		
Non-controlling interest		-	(3,674)		
		(9,213,414)	7,258,164		
Total comprehensive (loss)/income for the financial year attributable to:					
Owners of the Company		(9,213,414)	8,504,346		
Non-controlling interest		-	(3,674)		
		(9,213,414)	8,500,672		
(Loss)/Earnings per share attributable to owners of the Company:					
Basic (sen)	21	(4.6)	3.6		

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

		Attributable to Owners of the Company						
			Non-distributable		Distributable			
				Assets			Non-	
		Share	Share	Revaluation	Accumulated		Controlling	Total
		Capital	Premium	Reserve	Losses	Total	Interest	Equity
Group	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 July 2011		40,000,000	2,853,305	1,242,508	(21,642,891)	22,452,922	(3,674)	22,449,248
Total comprehensive loss		-	-	-	(9,213,414)	(9,213,414)	-	(9,213,414)
Change in ownership interests in a subsidiary	4(b)	-	-	-	(3,674)	(3,674)	3,674	-
At 30 June 2012		40,000,000	2,853,305	1,242,508	(30,859,979)	13,235,834	-	13,235,834
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

		Non-distributable	Distributable	
	Share	Share	Accumulated	
	Capital	Premium	Losses	Total
Company	**RM**	**RM**	**RM**	**RM**
At 1 July 2011	40,000,000	2,853,305	(29,113,006)	13,740,299
Total comprehensive loss	-	-	(310,329)	(310,329)
At 30 June 2012	40,000,000	2,853,305	(29,423,335)	13,429,970
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

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

Statements of Cash Flow

For The Financial Year Ended 30 June 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash Flows From Operating Activities				
(Loss)/Profit before taxation	(8,194,414)	7,297,151	(310,329)	(702,927)
Adjustments for:				
Impairment loss on receivables no longer required	-	(3,478)	-	-
Depreciation of property, plant and equipment	3,123,689	3,315,480	1,079	1,029
Impairment loss on other investment	-	3,499,999	-	-
Impairment loss on subsidiary companies	-	-	100,001	-
Interest expense	1,533,411	3,553,617	-	-
Loss on disposal of a subsidiary company	11,874	-	-	-
Unrealised loss/(gain) on foreign exchange	32,270	(142,027)	-	-
Gain on disposal of property, plant and equipment	(156,450)	(688,345)	-	-
Impairment loss on a subsidiary company written back	-	-	(842,074)	-
Interest income	(10,419)	(8,500)	-	-
Waiver of CLO interest	-	(4,962,041)	-	-
Waiver of debts	-	(15,000,000)	-	-
Operating loss before working capital changes	(3,660,039)	(3,138,144)	(1,051,323)	(701,898)
(Increase)/Decrease in working capital				
Inventories	(427,195)	(364,295)	-	-
Trade receivables	(678,478)	747,923	-	-
Other receivables	(5,515)	92,204	30,046	(18,530)
Trade payables	3,034,337	(17,201)	-	-
Other payables	3,064,750	(53,119)	544,561	50,743
Amount owing by subsidiary companies	-	-	469,275	652,091
	4,987,899	405,512	1,043,882	684,304
Cash generated/(used in) from operations	1,327,860	(2,732,632)	(7,441)	(17,594)
Interest received	10,419	8,500	-	-
Interest paid	(1,533,411)	(1,561,559)	-	-
Tax paid	(2,216)	(36,862)	-	-
	(1,525,208)	(1,589,921)	-	-
Net cash used in operating activities	(197,348)	(4,322,553)	(7,441)	(17,594)

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

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash Flows From Investing Activities					
Additional investment in a subsidiary company		-	-	(1)	-
Purchase of property, plant and equipment		(38,855)	(77,676)	-	(1,500)
Proceeds from disposal of property, plant and equipment		220,400	1,739,579	-	-
Cash outflow on disposal of a subsidiary company	4(c)	(962)	-	-	-
Proceeds from disposal of investment in subsidiary company		-	-	3	-
Net cash from/(used in) investing activities		180,583	1,661,903	2	(1,500)
Cash Flows From Financing Activities					
Net changes in revolving credit		-	3,551,872	-	-
Drawdown of term loan		91,298	132,711	-	-
Repayment of term loans		-	(653,612)	-	-
Repayment of hire purchase payables		(107,737)	(618,877)	-	-
Withdrawal/(Placement) of fixed deposit pledged		100,234	(79,963)	-	-
Net cash from financing activities		83,795	2,332,131	-	-
Net increase/(decrease) in cash and cash equivalents		67,030	(328,519)	(7,439)	(19,094)
Effect of exchange rate changes		(32,270)	142,027	-	-
Cash and cash equivalents at beginning of the financial year		118,388	304,880	7,901	26,995
Cash and cash equivalents at end of the financial year		153,148	118,388	462	7,901
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances		153,148	118,388	462	7,901
Fixed deposit with licensed banks		328,229	428,463	-	-
		481,377	546,851	462	7,901
Less: Fixed deposits with licensed banks pledged		(328,229)	(428,463)	-	-
		153,148	118,388	462	7,901

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 No.3A12, Block A, Lobby 3, Damansara Intan, No.1, Jalan 20/27, 47400 Petaling Jaya, Selangor Darul Ehsan.

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.

The Group incurred a significant net loss of RM9,213,414 during the financial year ended 30 June 2012. As at 30 June 2012, the Group's current liabilities exceeded its current assets by RM34,111,334.

Notwithstanding this, the financial statements of the Group have been prepared on a going concern basis as the Directors are optimistic that the Group would generate future profitable results and positive cash flows. The Directors have based these assumptions on the management's projected business plan and executed sales agreement with their existing customers.

During the financial year, the Group and the Company have adopted the following 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
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 2: Group Cash-Settled Share-based payment transactions	1 January 2011
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"	1 January 2011
IC Interpretation 4: Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18: Transfers of Assets from customers	1 January 2011
IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The adoption of the above new IC Interpretations and amendments to FRSs did not have a significant impact on the financial statements of the Group and the Company except as disclosed in Note 27.

To converge with International Financial Reporting Standards ("IFRS") in 2012, the MASB had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretations 15 Agreements for the Construction of Real Estate, including its parent, significant investor and venture ("Transitioning Entities").

2. Significant Accounting Policies (Cont'd)

(a) Basis of accounting (cont'd)

Transitioning Entities will be allowed to defer the adoption of the new MFRSs for an additional two year. Consequently, adoption of MFRSs by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014. However, the Group and the Company do not qualify as Transitioning Entities and is therefore required to adopt the MFRSs for the financial period beginning on or after 1 January 2012.

MFRSs effective on 1 January 2012

MFRS 1	First time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economics
MFRS 131	Interests in Joint Ventures
MFRS 132	Financial Instruments : Presentation
MFRS 133	Earnings per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments : Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture
IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int 4	Determining whether an Arrangement contains a Lease

2. Significant Accounting Policies (Cont'd)

(a) Basis of accounting (cont'd)

MFRSs effective on 1 January 2012 (cont'd)

IC Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Int 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 12	Service Concession Arrangements
IC Int 13	Customer Loyalty Programmes
IC Int 14	MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
IC Int 107	Introduction of the Euro
IC Int 110	Government Assistance – No Specific Relation to Operating Activities
IC Int 112	Consolidation – Special Purpose Entities
IC Int 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
IC Int 115	Operating Leases – Incentives
IC Int 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
IC Int 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int 129	Service Concession Arrangements: Disclosures
IC Int 131	Revenue - Barter Transactions Involving Advertising Services
IC Int 132	Intangible Assets - Web Site Costs

MFRSs effective on 1 March 2012

Amendments to MFRS 7 and MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRSs effective on 1 July 2012

MFRS 101	Presentation of Financial Statements: Amendments in relation to Presentation of Items of Other Comprehensive Income

MFRSs effective on 1 January 2013

MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standards ("IAS") 9 as amended by IASB in June 2011)

2. Significant Accounting Policies (Cont'd)

(a) Basis of accounting (cont'd)

MFRSs effective on 1 January 2013 (cont'd)

MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to MFRS 1	Government Loans
Amendment to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

MFRSs effective on 1 January 2014

MFRS 141	Agriculture
IC Int 15	Agreements for the Construction of Real Estate (Agreements for the Construction of Real Estate)
Amendment to MFRS 132	Offsetting Financial Assets and Financial Liabilities

MFRSs effective on 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

Amendments to MFRSs

Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

2. Significant Accounting Policies (Cont'd)

(a) Basis of accounting (cont'd)

New FRSs

		Effective for financial periods beginning on or after
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

Revised FRS

FRS 124	Related Party Disclosures	1 January 2012
FRS 119	Employee Benefits (as amended in November 2011)	1 January 2013
FRS 127	Separate Financial Statements (as amended in November 2011)	1 January 2013
FRS 128	Investments in Associates and Joint Ventures (as amended in November 2011)	1 January 2013

Amendments/Improvements to FRSs and IC Int

FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
FRS 7	Disclosure - Transfers of Financial Assets	1 July 2012
FRS 112	Deferred Tax : Recovery of Underlying Assets	1 January 2011
FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 9 and FRS 7	Mandatory Effective Date of FRS 9 and Transistion Disclosures	1 January 2015

Withdrawal of FRSs and IC Int

The following FRSs and IC Int will be withdrawn upon the adoption of the new/revised standards as disclosed above.

FRSs

FRS 119	Employee Benefits (2007)
FRS 127	Consolidated and Separate Financial Statements (2010)
FRS 128	Investments in Associates (2006)
FRS 131	Interests in Joint Venturers (2006)

IC Int

IC Int 9	Reassessment of Embedded Derivatives (2008)
IC Int 112	Consolidation – Special Purpose Entities (2006)
IC Int 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers (2006)
IC Int 121	Income Taxes – Recovery of Revalued Non-depreciable Assets (2006)

2. Significant Accounting Policies (Cont'd)

(a) Basis of accounting (cont'd)

The Group and the Company's next set of financial statements for annual period beginning on or after 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") issued by the MASB that will also comply with International Financial Reporting Standards ("IFRS"). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments that are effective for annual periods beginning on or after 1 January 2012.

Technical Release Guidance on Disclosures of Transition to IFRSs ("TR3") provides voluntary disclosure requirements on the potential impact of adoption of MFRSs. However, the Group is currently in the process of assessing the financial effects of the difference between the current FRS framework and accounting standards under the MFRS framework and as such, the disclosure would be reflected in the subsequent year financial statements.

(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.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 2012 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.

2. Significant Accounting Policies (Cont'd)

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

(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 2012 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.

(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.

2. Significant Accounting Policies (Cont'd)

(d) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

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(g). 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.

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 acquiree 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.

2. Significant Accounting Policies (Cont'd)

(d) Basis of consolidation (cont'd)

(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.

(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.

2. Significant Accounting Policies (Cont'd)

(e) Property, plant and equipment (cont'd)

(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.

(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 amortization 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.

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.

2. Significant Accounting Policies (Cont'd)

(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.

(j) 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.

(k) 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.

(l) Borrowing costs

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

(m) 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.

2. Significant Accounting Policies (Cont'd)

(m) Foreign currencies (cont'd)

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.

The closing exchange rates used for each units of the main foreign currencies in the Group are:

	2012 RM	2011 RM
United States Dollar (US$)	3.190	3.021
Singapor Dollar (SGD)	2.504	2.458

(n) 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.

(o) 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.

2. Significant Accounting Policies (Cont'd)

(p) 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. 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.

(q) 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.

2. Significant Accounting Policies (Cont'd)

(q) Financial assets (cont'd)

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.

(r) 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.

(s) 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.

2. Significant Accounting Policies (Cont'd)

(t) 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.

(u) 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.

(v) 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.

(w) 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 land 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 2011	4,465,799	13,090,568	51,737,239	1,570,669	1,193,991	72,058,266
Additions	-	-	27,225	11,630	-	38,855
Disposals	-	-	-	(2,700)	(630,655)	(633,355)
At 30 June 2012	4,465,799	13,090,568	51,764,464	1,579,599	563,336	71,463,766
Accumulated depreciation						
At 1 July 2011	-	1,900,610	21,106,592	905,062	1,045,159	24,957,423
Charge for the financial year	-	390,888	2,511,606	135,406	85,789	3,123,689
Disposals	-	-	-	(1,792)	(567,613)	(569,405)
At 30 June 2012	-	2,291,498	23,618,198	1,038,676	563,335	27,511,707
Carrying amount						
At 30 June 2012	4,465,799	10,799,070	28,146,266	540,923	1	43,952,059

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

Group	At Valuation Freehold land RM	Factory buildings RM	At Cost 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

Company	Office equipment RM
Cost	
At 1 July 2011/30 June 2012	10,789
Accumulated depreciation	
At 1 July 2011	2,359
Charge for the financial year	1,079
At 30 June 2012	3,438
Carrying amount	
At 30 June 2012	7,351
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

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

(a) The freehold land was 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 land been included in the financial statements at historical cost, the carrying amount of the revalued freehold land would have been RM3,223,291 (2011: 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 15 are as follows:

	Group 2012 RM	Group 2011 RM
Freehold land and buildings	15,264,869	15,655,757
Plant and machinery	28,146,266	30,630,647
Office equipment, furniture and fittings and renovation	533,572	657,177
Motor vehicles	1	148,832
	43,944,708	47,092,413

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

	Group 2012 RM	Group 2011 RM
Motor vehicles	-	95,613
Plant and machinery	-	2,154,880
	-	2,250,493

4. Investment in Subsidiary Companies

	Company 2012 RM	Company 2011 RM
Unquoted shares, at cost		
At 1 July	32,698,203	32,698,203
Addition	1	-
Disposal	(3)	-
Allowances for impairment losses	(26,480,125)	(27,222,198)
At 30 June	6,218,076	5,476,005
Allowances for impairment losses		
At 1 July	27,222,198	27,222,198
Additions	100,001	-
Written back	(842,074)	-
At 30 June	26,480,125	27,222,198

4. Investment in Subsidiary Companies (Cont'd)

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

Name of company	Country of incorporation	Effective interest 2012 %	Effective interest 2011 %	Principal activities
Amshore Holdings Sdn Bhd	Malaysia	100	100	Processing, manufacturing and selling of drinking water
Morning Valley Sdn Bhd	Malaysia	100	100	Inactive
Arctic Ice (M) Sdn Bhd	Malaysia	100	67	Dormant
Corporate Advisory and Re-engineering Services Sdn Bhd	Malaysia	-	100	Dormant

(b) On 25 November 2011, the Company acquired one ordinary share of RM1.00 each in Arctic Ice (M) Sdn. Bhd. ("AI") for a total purchase consideration of RM1.00 which represents the remaining share of AI not already owned by the Company. Consequently, AI became the wholly-owned subsidiary company of the Company.

(c) Disposal of a subsidiary company

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

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

	Group 2012 RM
Cash and bank balances	(965)
Other payables	12,842
Group's share of net liabilities	11,877
Loss on disposal of a subsidiary companies	(11,874)
Total disposal consideration in cash	3
Cash and cash equivalent disposed of	(965)
Cash outflow on disposal of subsidiary companies	(962)

5. Other Investment

	Group 2012 RM	Group 2011 RM
Unquoted investments		
Non Current		
Held-to-maturity investment	3,500,000	3,500,000
Less: Impairment loss	(3,499,999)	(3,499,999)
	1	1

5. Other Investment (Cont'd)

This is in respect of assets-backed securities comprising Subordinated Bonds ("the Bonds") under the Primary Collateralised Loan Obligation ("Primary CLO") as disclosed in Note 15.

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

However, as at the date of this report, the new SA is still under the finalisation stage and consequently, the Bonds have yet to be surrendered to the Issuer.

The Bonds have been fully impaired in view of a negative rating by the Rating Agency Malaysia.

6. Deferred Tax Assets

	Group	
	2012 RM	**2011 RM**
At 1 July	4,414,108	4,414,108
Recognised in statement of comprehensive income	(1,019,000)	-
At 30 June	3,395,108	4,414,108

Represented after appropriate offsetting as follows:

	Group	
	2012 RM	**2011 RM**
Deferred tax liability	(5,422,952)	(5,422,952)
Deferred tax assets	8,818,060	9,837,060
	3,395,108	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:-

Deferred tax liability of the Group:-

	Accelerated capital allowances	
	2012 RM	**2011 RM**
At 1 July/30 June	(5,422,952)	(5,422,952)

6. Deferred Tax Assets (Cont'd)

Deferred tax assets of the Group:-

	Impairment of trade receivables RM	Unused tax losses RM	Unutilised capital allowance RM	Total RM
At 1 July 2011	3,830,071	2,684,500	3,322,489	9,837,060
Recognised in statements of comprehensive income	-	(1,019,000)	-	(1,019,000)
At 30 June 2012	3,830,071	1,665,500	3,322,489	8,818,060
At 1 July 2010/ 30 June 2011	3,830,071	2,684,500	3,322,489	9,837,060

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

7. Inventories

	Group	
	2012 RM	2011 RM
At cost:		
Raw materials	1,774,422	959,868
Work in progress	115,271	14,007
Finished goods	208,350	696,973
	2,098,043	1,670,848

8. Trade Receivables

	Group	
	2012 RM	2011 RM
Trade receivables	3,411,166	18,049,495
Less: Impairment loss	-	(15,316,807)
	3,411,166	2,732,688

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

8. Trade Receivables (Cont'd)

The currency exposure profiles of trade receivables are as follows:

	Group	
	2012	**2011**
	RM	**RM**
Ringgit Malaysia	2,698,820	1,243,240
Singapore Dollar	712,346	1,489,448
	3,411,166	2,732,688

Ageing analysis of trade receivables

The ageing analysis of the trade receivables are as follows:-

	Group	
	2012	**2011**
	RM	**RM**
Neither past due or impaired	1,770,888	903,236
1 - 90 days past due but not impaired	549,975	773,786
91 - 180 days past due but not impaired	125,744	362,756
181 days - 1 year past due but not impaired	291,827	177,114
More than 1 year past due but not impaired	672,732	515,796
	1,640,278	1,829,452
	3,411,166	2,732,688

The trade receivables that are impaired

	Group	
	2012	**2011**
	RM	**RM**
Individually	-	15,316,807
Accumulated impairment loss		
At 1 July	15,316,807	15,320,285
Written off	(15,316,807)	-
Written back	-	(3,478)
At 30 June	-	15,316,807

The Group's normal trade credit term range from 30 to 60 days (2011: 7 to 60 days). Other credit terms are assessed and approved on a case to case basis. 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. The Group's trade receivables of RM1,640,278 (2011: RM1,829,452) 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.

9. Other Receivables

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other receivables	15,934	7,800	3	-
Deposits	9,678,796	9,718,085	531	-
Prepayments	130,223	93,553	-	30,580
	9,824,953	9,819,438	534	30,580

Included in the deposits of the Group are deposits for acquisition of property, plant and equipment of RM9,589,978 (2011: RM9,589,978) representing deposits previously paid to the vendors of the property, plant and equipment. The sale and purchase agreements were mutually terminated with the respective vendors in the previous years. Consequently, the Group has taken legal action in the prior years to recover the deposits from the respective vendors as disclosed in Note 28.

During the financial year, the Group successfully obtained a judgment in favour of the Group to recover the deposits from one of the vendors as disclosed in Note 28(b) to the financial statements. Subsequent to the financial year ended 30 June 2012, the Group received a sum of RM700,000 from the said vendor as part settlement of the judgment sum. The Directors of the Group are of the opinion that the remaining amount of the deposits are recoverable.

10. Amount Owing by Subsidiary Companies

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

11. Fixed Deposits with Licensed Banks

The fixed deposits are pledged to licensed banks as security for bank guarantees as disclosed in Note 15. The interest rates and maturities of deposits are at 1.0% - 2.5% (2011: 1.0% -2.5%) per annum and 365 days (2011: 365 days) respectively.

12. Trade Payables

The normal trade credit terms granted to the Company range from 14 to 120 days (2011: 30 to 120 days).

13. Other Payables

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables	1,461,450	888,610	106,799	63,559
Deposit received	-	648,415	-	-
Accruals	3,231,366	80,129	578,451	77,129
	4,692,816	1,617,154	685,250	140,688

14. Hire Purchase Payables

	Group 2012 RM	Group 2011 RM
Minimum hire purchase payments		
Within one year	4,742	114,965
Less: Future finance charges	(51)	(2,537)
Present value of hire purchase liabilities	4,691	112,428
Present value of hire purchase liabilities		
Within one year	4,691	112,428
Analysed as:		
Repayable within twelve months	4,691	112,428

The effective interest rates of the Group are between 2.30% and 3.90% (2011: 2.30% and 3.90%) per annum.

15. Bank Borrowings

	Group 2012 RM	Group 2011 RM
Secured		
Term loans	15,097,569	15,006,272
Revolving credit	5,439,546	5,439,546
	20,537,115	20,445,818
Unsecured		
Term loan	20,000,000	20,000,000
	40,537,115	40,445,818
Analysed as follows:		
Repayable within twelve months		
Secured		
Term loans	15,097,569	4,716,938
Revolving credit	5,439,546	1,000,000
	20,537,115	5,716,938
Unsecured		
Term loan	20,000,000	20,000,000
	40,537,115	25,716,938
Repayable after twelve months		
Secured		
Term loans	-	10,289,334
Revolving credit	-	4,439,546
	-	14,728,880
	40,537,115	40,445,818

15. Bank Borrowings (Cont'd)

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.

The revolving credit is secured by the following:

(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:

	2012 RM	2011 RM
Within one year	40,537,115	25,716,937
Between one and two years	-	2,271,880
Between two and five years	-	7,978,393
More than five years	-	4,478,608
	40,537,115	40,445,818

The weighted average effective interest rate is as follows:

	Group	
	2012 %	2011 %
Revolving credits	8.30 - 8.60	8.30 - 8.60
Term loans	8.30 - 8.60	8.30 - 8.60

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

In previous financial year, the Company had 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;

15. Bank Borrowings (Cont'd)

(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.

The above exercises have yet to be completed pending the finalisation of the new Settlement Agreement as disclosed in Note 5.

Included in the above is a sum of RM20,537,115 representing term loans and revolving credits granted by a financial institution. The Group has entered into a negotiation with the financial institution for a full settlement proposal. On 30 October 2012, the full settlement proposal was approved by the financial institution subject to terms and conditions.

16. Share Capital

	Number of ordinary shares of RM0.20 each		Amount	
	2012	**2011**	**2012 RM**	**2011 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

17. Revenue

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

18. Finance Costs

	Group	
	2012 RM	**2011 RM**
Interest expense on:		
Banker acceptance	-	74,339
Revolving credit	544,061	520,435
Hire purchase payables	2,531	25,573
Term loans	956,194	965,215
CLO	30,625	1,968,055
	1,533,411	3,553,617

19. (Loss)/Profit Before Taxation

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
- current year	40,000	43,000	10,000	10,000
- over provision in prior year	(7,000)	-	(2,000)	-
Directors' remuneration				
- fee	75,000	72,000	75,000	72,000
- salaries	342,000	282,000	288,000	255,000
- EPF	41,040	25,560	34,560	22,320
- other emoluments	84,254	1,144	83,944	989
Depreciation of property, plant and equipment	3,123,689	3,315,480	1,079	1,029
Impairment loss on other investment	-	3,499,999	-	-
Impairment loss on subsidiary companies	-	-	100,001	-
Loss on disposal of a subsidiary company	11,874	-	-	-
Rental of factory	39,450	32,700	-	-
Rental of hostel	15,780	17,160	-	-
Impairment of trade receivables no longer required	-	(3,478)	-	-
Loss/(Gain) on foreign exchange				
- realised	11,838	37,828	-	-
- unrealised	32,270	(142,027)	-	-
Gain on disposal of property, plant and equipment	(156,450)	(688,345)	-	-
Impairment loss on a subsidiary company written back	-	-	(842,074)	-
Interest income	(10,419)	(8,500)	-	-
Waiver of CLO interest	-	(4,962,041)	-	-
Waiver of debt	-	(15,000,000)	-	-

20. Taxation

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current income tax				
- Current tax provision	-	2,125	-	-
- Real property gain tax	-	36,862	-	-
	-	38,987	-	-
Deferred tax				
Relating to reversal of temporary differences	1,019,000	-	-	-
Tax expenses for the financial year	1,019,000	38,987	-	-

Income tax is calculated at the Malaysia's statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year.

20. Taxation (Cont'd)

A reconciliation of income tax expense applicable to (loss)/profit 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	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
(Loss)/Profit before taxation	(8,194,414)	7,297,151	(310,329)	(702,927)
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	(2,048,604)	1,824,288	(77,582)	(175,732)
Real property gain tax	-	36,862	-	-
Expenses not deductible for tax purposes	347,815	4,931,792	77,582	175,732
Income not subject to tax	-	(2,125)	-	-
Reversal of deferred tax assets not recognised during the financial year	-	(6,751,830)	-	-
Deferred tax assets not recognised	2,719,789	-	-	-
Tax expenses for the financial year	1,019,000	38,987	-	-

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

	2012 RM	**2011 RM**
Unused tax losses	21,461,515	17,545,686
Unutilised capital allowance	13,553,754	8,934,075
Unutilised reinvestment allowance	27,274,318	27,257,983
	62,289,587	53,737,744

The unused tax losses, unutilised capital allowance and unutilised reinvestment 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.

21. Earnings Per Share

Basic (loss)/earnings per share

The basic (loss)/earnings per share has been calculated based on the consolidated loss after taxation attributable to owners of the Company of RM9,213,414 (2011: consolidated profit RM7,261,838) for the Group and the weighted average number of ordinary shares in issue during the financial year of 200,000,000 (2011: 200,000,000).

22. Staff Costs

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Staff costs (excluding Directors)	1,694,755	2,261,343	310,202	89,106

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 RM146,161 and RM32,400 (2011: RM186,683 and RM9,142).

23. Significant Related Party Transaction

	Company	
	2012 RM	2011 RM
Settlement of liabilities on behalf of subsidiary companies		
- Amshore Holdings Sdn Bhd	463,383	117,118

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.

24. Key Management Personnel Compensation

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	704,056	924,846	649,746	255,989
Defined contribution plan	73,440	50,964	66,960	22,320
	777,496	975,810	716,706	278,309

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.

25. Capital Commitments

	Group	
	2012 RM	2011 RM
Approved and contracted for:		
- Acquisition of machinery	-	2,620,000

26. 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.

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

The effects on adoption of the following new IC Interpretations and amendments to FRS in 2012 are set out below:-

Amendments to FRS 7: "Financial Instruments: Disclosures

The amendments require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendments require disclosure of fair value measurements by level of a fair value measurement hierarchy.

This is a disclosure standard and hence does not have any impact on the financial position and performance of the Company.

Amendments to FRS 101: Presentation of Financial Statements

The amendments clarify that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

This is a disclosure standard and hence does not have any impact on the financial position and performance of the Company.

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.

28. Material Litigation

The Group have not engaged in any material litigation which will have a material effect on the business or financial position of the Group except 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 Sale & Purchase Agreement has been mutually terminated by both parties. However, AQRS to date has failed to refund the said deposit of RM3,000,000 to MVSB.

28. Material Litigation (Cont'd)

(a) Morning Valley Sdn. Bhd. ("MVSB") (cont'd)

As a result of which MVSB and its shareholders, the Company and Datuk Seri Krishna Kumar ("DSKK") has entered a private caveat on the piece of land. AQRS has filed a suit to obtain an order to remove the private caveat. The matters are still ongoing. MVSB and the Company are currently in the midst of instituting a civil suit against AQRS for recovery of the said deposit of RM3,000,000. On 2 November 2010, the Shah Alam High Court ("the Court") ordered the private caveat by DSKK be removed and granted AQRS 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 28 September 2012. The stay application for hearing scheduled on 7 September 2012 and later adjourned to 7 November 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 was made by the Honourable Judicial Commissioner whereby Century Machine was instructed to pay the sum of USD860,106 to AHSB and the balance from the total claim of USD1,500,000 to be disposed of a trial once AHSB decide to proceed with full trial.

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

Subsequent to the financial year end, Century Machine paid RM700,000 as part of settlement of the judgment sum.

29. 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.

<u>Exposure to interest rate risk</u>

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	
	2012 RM	**2011 RM**
Floating rate instruments:-		
Term loans	35,097,569	35,006,272
Revolving credit	5,439,546	5,439,546

29. Financial Instruments (Cont'd)

(a) Interest rate risk (cont'd)

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 (loss)/profit after taxation by the amounts shown below, assuming all other variables remain constant.

	(Loss)/Profit after taxation	
Group	**100bp increase RM**	**100bp decrease RM**
Floating rate instruments:-		
Term loans	(350,976)	350,976
Revolving credit	(54,395)	54,395
	(405,371)	405,371

(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.

Exposure to foreign currency risk

The net unhedged financial assets of the Group that is not denominated in its functional currency are as follows:

Functional Currency	**Singapore Dollar RM**
2012	
Trade receivables	712,346
Cash and bank balances	3,034
	715,380
2011	
Trade receivables	1,489,448
Cash and bank balances	38,792
	1,528,240

29. Financial Instruments (Cont'd)

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

Currency risk sensitivity analysis

The following table shows the sensitivity of the Group's equity and loss for the year 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	Loss for the year RM
SGD/RM – strengthening 5%	35,769	35,769

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.

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
Financial liabilities	
Trade and other payables	9,440,421
Hire purchase payable	4,691
Bank borrowings	40,537,115
	49,982,227

(e) Fair values of financial instruments

(i) The carrying amounts of cash and cash equivalents, trade and other receivables, inter-company loans and advances, trade and other payables, short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

(ii) The carrying amount of long term borrowing carried on the statement of financial position in previous financial year is reasonable approximate of fair value as it is a floating rate instruments that are re-priced to market interest rate on or near the reporting date.

29. Financial Instruments (Cont'd)

(e) Fair values of financial instruments (cont'd)

Fair value hierarchy

The Group use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

30. 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 Company. The Group's policy is to keep the gearing ratio within reasonable levels.

	2012 RM	**2011 RM**
Borrowings	40,537,115	40,445,818
Hire purchase payables	4,691	112,428
Less: Cash and cash equivalents	(153,148)	(118,388)
Net borrowings	40,388,658	40,439,858
Equity attributable to owners of the Company	13,235,834	22,452,922
Gearing ratio	3.05	1.80

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

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

	Group		**Company**	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Total accumulated losses of the Company and its subsidiary companies:-				
Realised losses	(30,859,979)	(21,642,891)	(29,423,335)	(29,113,006)

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.

32. Contingent Liability

	Group 2012 RM	Group 2011 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 15	19,962,041	19,962,041

33. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 30 October 2012.

List of Properties
as at 30 June 2012

Location	Description	Existing Use	Tenure / Expiry of Lease	Approx age of Building	Unit / Acreage	Major encumberances	Net book value as at 30/06/2012 (RM'000)
Amshore New head office, factory, warehouse 1A, 1A-1, 1A-2, Jalan Kampung Sungai Suloh, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor Darul Takzim. H.S.(M) 1476 PTD 2138, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Medium industrial building	Processing & manufacturing full-automated bottled RO water	Freehold	Less than 5 years	256,220 sq ft / 84,550 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No. 1502/2009	13,721
Amshore Old factory No. 1, Jalan Budi Tengah, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor Darul Takzim. Geran 119490 Lot 8351, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Light industrial building	Processing & manufacturing semi-automated bottled RO water	Freehold	Less than 15 years	13,455 sq ft / 5,400 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No. 19885/2009	1,173
Amshore No.3, Jalan Budi Tengah, Taman Perindustrian Wawasan, 83000 Batu Pahat, Johor Darul Takzim. Geran 119491 Lot 8352, Mukim Minyak Beku, Daerah Batu Pahat, Johor.	Light industrial building	Warehouse	Freehold	Less than 15 years	20,139 sq ft / 4,800 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No. 19885/2009	371

Revaluation Policy

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

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

Authorised capital	:	RM100,000,000 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

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of Holders	Total Holdings	%
Less than 100 shares	9	478	0
100 - 1,000 shares	268	218,900	0.11
1,001 to 10,000 shares	691	3,922,750	1.96
10,001 to 100,000 shares	444	17,642,200	8.82
100,001 to less than 5% of issued shares	143	86,649,048	43.33
5% and above of issued shares	3	91,566,624	45.78
Total	**1,558**	**200,000,000**	**100.00**

Thirty (30) Largest Shareholders

	Name Of Shareholders	Number 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 Bhd DBS Vickers Secs (S) Pte Ltd for Teo Han Tong	9,980,000	4.99
5	Teo Soon Hui	5,384,300	2.69
6	Trade Eagle Investments Limited	5,128,200	2.56
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hamzah bin Mohd Salleh	3,355,317	1.68
8	Teo Soon Kee	3,350,000	1.68
9	Toh Tian Hwa	3,200,000	1.60
10	Chang, Chun-Pei	2,040,100	1.02
11	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kok Ann	2,000,300	1.00
12	Tan Teck Boo	1,930,000	0.97
13	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kok Seng	1,780,000	0.89
14	Fortina Investments Limited	1,551,300	0.78
15	Samudra Jejaka Sdn Bhd	1,500,000	0.75
16	Teo Zon San	1,400,000	0.70
17	Chan Lee Yuen	1,390,000	0.70
18	Lim Chee Leong	1,360,000	0.68

Thirty (30) Largest Shareholders (Cont'd)

	Name Of Shareholders	Number Of Shares	%
19	Tan Ai Luang	1,261,600	0.63
20	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Yun Cheun	1,218,000	0.61
21	Loh Khim Lang	1,070,000	0.54
22	Lai Su Lean	960,000	0.48
23	Maybank Securities Nominees (Asing) Sdn Bhd UOB-Kay Hian Pte Ltd for Wong Teck Keng	954,000	0.48
24	Teo Keong Bin	900,000	0.45
25	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Tau Seng	820,000	0.41
26	Rescom International Limited	800,000	0.40
27	Tan Gaik Ngor	795,000	0.40
28	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Kok Chong	777,200	0.39
29	Ong Teck Wan	745,000	0.37
30	Tiew Oai Cheng	730,000	0.37

Substantial shareholders (as shown in the Register of Substantial Shareholders)

Name of substantial shareholders	No. of Shares Held		
	Direct	Indirect	%
Perbadanan Nasional Berhad	41,566,624	-	20.78
True Profit Holdings Limited	25,000,000	-	12.50
Sure Talent Holdings Limited	25,000,000	-	12.50
Datuk Seri Krishna Kumar A/L Sivasubramaniam	0	50,000,000*	25.00

* Deemed interest through True Profit Holdings Limited and Sure Talent Holdings Limited wherein Datuk Seri Krishna Kumar A/L Sivasubramaniam is the beneficial owner.

Directors' shareholdings (as shown in the Register of Directors' Shareholding)

Name of Directors	No. of Shares Held		
	Direct	Indirect	%
Yang Chin Kar	-	-	-
Assoc. Prof. Dr. Mohd Amy Azhar bin Haji Mohd Harif	-	-	-
Wong Kok Seong	10,000	0.01	-
Auzir bin Mohd Yaacob	10,000	0.01	-
Lee Choong Choy *(Alternate Director to Yang Chin Kar)*	-	-	-

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of Bio Osmo Berhad will be held at KKLUB Berhad, Jalan Melawati 3, Taman Melawati, 53100 Kuala Lumpur, Malaysia on Friday, 14 December 2012 at 10.00 a.m. for the following purposes: -

AGENDA

ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 30 June 2012 together with the Directors' and Auditors' Report thereon.	**(Please refer to Explanatory Note A)**
2.	To approve the payment of Directors' Fees of RM75,000.00 for the financial year ended 30 June 2012.	**RESOLUTION 1**
3.	To re-elect En Auzir bin Mohd Yaacob who retire in accordance with Article 127 of the Company's Articles of Association and being eligible, offers himself for re-election.	**RESOLUTION 2**
4.	To appoint Auditors pursuant to a Notice of Nomination received by the company, a copy which is annexed hereto and marked as "Appendix A", for the nomination of Messr Baker Tilly Monteiro Heng for appointment as the Auditor of the Company and to consider and if thought fit, to pass the following Ordinary Resolution.	**RESOLUTION 3**

"THAT Messrs Baker Tilly Monteiro Heng be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs Morisons Anuarul Azizan Chew, and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration."

SPECIAL BUSINESS

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

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

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

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

BY ORDER OF THE BOARD

SIEW SUET WEI (F)
MAICSA NO. 7011254
MR. PARAMALINGAM A/L J.DORAISAMY
BC/8/150
Company Secretaries

Petaling Jaya
Date: 22 November 2012

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 at Unit 3A12, Block A, Lobby 3, Damansara Intan, 1 Jalan SS 20/27, 47400 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

EXPLANATORY NOTE A

This Agenda item is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965, the audited financial statements do not require the approval of the shareholders. As such, this matter will not be put forward for voting.

EXPLANATORY NOTE TO SPECIAL BUSINESS

The proposed Ordinary Resolution, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. 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 6TH ANNUAL GENERAL MEETING
(pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There are no individuals who are standing for election as directors (excluding directors standing for a re-election).

"ANNEXURE A"

Loo Ting Lian
25 Jalan Ampang Mewah 2
Taman Ampang Mewah
68000 Selangor

14 November 2012

The Board of Directors
BIO OSMO BERHAD
1A, Jalan Kampung Sungai Suloh
Taman Perindustrian Wawasan
83000 Pahat
Johor Darul Takzim

Dear Sirs

NOTICE OF NOMINATION OF AUDITORS PURSUANT TO SECTION 172(11) OF THE COMPANIES ACT, 1965

I, LOO TING LIAN [NRIC No. 690103-10-6213] being a shareholder of BIO OSMO BERHAD, wish to propose that Messrs Baker Tilly Monteiro Heng [AF 0117] be nominated for appointment as Auditors of the Company in place of Messrs Morison Anuarul Azizan Chew, at a remuneration to be fixed by the Board of Directors.

Thank you.

Yours faithfully,

LOO TING LIAN

cc. Messrs Baker Tilly Monteiro Heng

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

FORM OF PROXY

CDS ACCOUNT NO.	NO. OF SHARES HELD

I/We ______________________________ of ______________

____

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

______________________(NRIC No.__________) of ______________

____or failing whom,

______________________(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 **Sixth Annual General Meeting** of the Company to be held at **KKLUB Berhad, Jalan Melawati 3, Taman Melawati, 53100 Kuala Lumpur, Malaysia** on Friday, 14 December 2012 at **10.00 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 RM75,000.00 for the financial year ended 30 June 2012.	1		
To re-elect En Auzir bin Mohd Yaacob who retire in accordance with Article 127 of the Company's Articles of Association.	2		
To appoint Messrs Baker Tilly Monteiro Heng as Auditor of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	3		
To authorise the allotment of shares pursuant to Section 132D.	4		

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 ______________ 2012

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, Unit 3A12, Block A, Lobby 3, Damansara Intan, 1 Jalan SS 20/27, 47400 Petaling Jaya, Selangor 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)

3A12, Block A, Lobby 3
Damansara Intan, 1 Jalan SS 20/27
47400 Petaling Jaya, Selangor

2ND FOLD HERE

1ST FOLD HERE

BIO OSMO BERHAD (740838-A)
No.1a, Jalan Kampung Sungai Suloh,
Mukim Minyak Beku,
83000 Batu Pahat,
Johor Darul Takzim, Malaysia.
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