

BIO OSMO BERHAD (740838-A)
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BIO OSMO BERHAD (740838-A)



ANNUAL REPORT 2010

ANNUAL REPORT 2010



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Corporate Information

BOARD OF DIRECTORS

Datuk Idris Bin Haji Hashim	<i>Executive Chairman</i>
Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam	<i>Managing Director</i>
Dato' Hamzah Bin Mohd Salleh	<i>Independent Non-Executive Director</i>
Mr Wong Kok Seong	<i>Independent Non-Executive Director</i>
En Auzir Bin Mohd Yaacob	<i>Non-Independent Non-Executive Director</i>

AUDIT COMMITTEE

Chairman

Mr Wong Kok Seong

Member

Dato' Hamzah Bin Mohd Salleh
En Auzir Bin Mohd Yaacob

AUDITOR

UHY
Suite 11.05, Level 11,
The Garden South Tower,
Mid Valley City
Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel: +603 22793088
Fax: +603 22793099

NOMINATION COMMITTEE

Chairman

Dato' Hamzah Bin Mohd Salleh

Member

Mr Wong Kok Seong

SHARE REGISTRAR

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

REMUNERATION COMMITTEE

Chairman

Dato' Hamzah Bin Mohd Salleh

Member

Mr Wong Kok Seong

PRINCIPAL BANKERS

Malayan Banking Berhad
CIMB Bank Berhad

COMPANY SECRETARY

Ms Leong Siew Foong
MAICSA No. 7007572

STOCK EXCHANGE LISTING

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

REGISTERED OFFICE

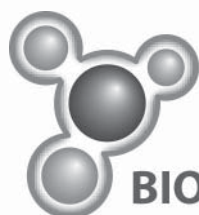
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Johor Darul Takzim.
Tel: +607 332 3536
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WEBSITE

www.bioosmobhd.com



Group Structure



BIO OSMO BERHAD

100%

**Amshore Holdings
Sdn Bhd**

*Process, manufacture and
distribute of drinking water
and other beverages*

66.67%

**Arctic Ice (M)
Sdn Bhd**

*Licensee and distributor for
"Arctic 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

Board of **Directors' Profile**



Datuk Idris bin Haji Hashim, J.P.

Malaysian, aged 58

Executive Chairman

Datuk Idris was appointed to the Board of Bio Osmo Bhd on 11 January 2010. He graduated with a Diploma in Town and Regional Planning from ITM, Shah Alam in 1975, and subsequently a Masters of Science - City & Regional Planning from Illinois Institute of Technology, Chicago, USA in 1978.

Datuk Idris has an impressive career in town planning, having served as Planner at North-Eastern Illinois Planning Commission (NIPC), Chicago where he was involved in several large projects in the State of Illinois as well as the New Jeddah International Airport and King Abdul Aziz University, both in the Kingdom of Saudi Arabia. Back home, he was attached with Arkitek Bersekutu Malaysia, where he participated in projects such as Pusat Bandar Bukit Ridan and Kompleks Perdagangan Kuantan in Pahang, Bangunan Sri MARA in Kuala Lumpur, and Skim Penebusan Tanah in Melaka. He was also a lecturer at his alma mater, The School of Architecture, Planning & Surveying, ITM.

Datuk Idris is currently the Chairman of Perbadanan Nasional Berhad (PNS), an institution set up by the government to develop and increase the size of Bumiputra participation in the commercial and industrial sectors. He is also Chairman of Perak Industrial Resources Sdn Bhd, Kolej Komuniti Teluk Intan, Perak, Majlis Kebajikan dan Pembangunan Masyarakat Kawasan Parlimen Teluk Intan, and Majlis Pembangunan Pertanian Kawasan Parlimen Teluk Intan.

Datuk Idris has attended all two (2) Board Meetings held during the financial year ended 30 June 2010 since his appointment to the Board. 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.



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

Malaysian, aged 40

Managing Director

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

Datuk Seri Kumar is an advocate and solicitor by profession. He graduated from University College of Wales, Aberystwth, United Kingdom. After graduating with an honours degree, he started his professional career as an advocate and solicitor in Malaysia with Sri Ram & Co before setting up his own practice under the name and style of Messrs Krish Maniam & Co in 1996. He was formerly an Executive Director of Kuantan Flour Mills Bhd and several other companies in Malaysia and Overseas.

Datuk Seri Kumar has attended all six (6) Board Meetings held during the financial year ended 30 June 2010 since his appointment to the Board. He has no family relationship with any other Director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 10 years.



Board of **Directors' Profile**



Dato' Hamzah bin Mohd Salleh

Malaysian, aged 62

Independent Non-Executive Director

- Member of Audit Committee
- Chairman of Remuneration Committee
- Chairman of Nomination Committee

Dato' Hamzah was appointed to the Board of Bio Osmo Bhd on 16 July 2007. He graduated with a Diploma in Management from the Malaysia Institute of Management in 1980 and obtained a Masters of Business Administration from University of Bath, United Kingdom in 1989.

Dato' Hamzah started his career as an Audit Assistant with Price Waterhouse & Co. (now known as PricewaterhouseCoopers) in 1969. Subsequently he left in 1975 and worked as Finance & Administration Manager in Pillar Naco Malaysia Sdn Bhd for five years. From 1980 to 1993, he held various senior management positions in Pernas Sime Darby and the Sime Darby Group of Companies. Presently he is Chief Executive Officer of Spanco Sdn Bhd, a fleet management specialist. He also holds directorships in several other public listed companies : Focus Point Holdings Bhd (Independent non-executive Chairman), PDZ Holdings Bhd and Furniweb Industrial Products Bhd (Independent Director).

Dato' Hamzah has attended all eight (8) Board Meetings held during the financial year ended 30 June 2010. 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.



Mr. Wong Kok Seong

Malaysian, aged 41

Independent Non-Executive Director

- Chairman of Audit Committee
- Member of Remuneration Committee
- Member of Nomination Committee

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

Having spent 15 years in the United Kingdom, Mr. Wong has gained extensive exposure with a United Kingdom accounting firm, Appleby & Wood, where he was a Partner from 1999 to 2005. His experience extended to multinational companies where he was appointed as Finance Director for a few of the companies. During his tenure there, he was responsible for the preparation of business plans, budgets and organisational financial statements. On his return to Malaysia in 2006 and upon obtaining his audit license, Mr. Wong joined THL Wong & Co. (formerly known as TH Law & Co.) as 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 eight (8) Board Meetings held during the financial year ended 30 June 2010. He has no family relationship with any other Director and/or any other major shareholder of the Company and has no conflict of interest with the Company or any conviction for any offences within the past 10 years.

Board of **Directors' Profile**



Encik Auzir bin Mohd Yaacob

Malaysian, aged 58

Non-Independent Non-Executive Director

- Member of Audit Committee

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

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

En. Auzir has attended seven (7) out of eight (8) Board Meetings held during the financial year ended 30 June 2010. 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.

- **Quality**
- **Innovation**
- **Sharing**
- **Aggressive**
- **Responsible**



Executive Chairman's Statement

My fellow Shareholders,

I have the greatest honour to pen my maiden statement for Bio Osmo Berhad. The last financial year was anything but dull. In August 2009, we saw the arrival of a new substantial shareholder in Datuk Seri Krishna Kumar, who acquired a 25% equity interest in the Company. He came on board on 20 August 2009. I was subsequently invited to helm the office of Executive Chairman on 11 January 2010.



New management

Upon Datuk Seri Kumar's entrance into the Company, he immediately put in place a new management team to replace the vacuum created by the previous executive officers who relinquished their positions earlier. The new team could not have come in at a better time. At that moment, production level of our reverse osmosis bottled water, or RO water as we call it, was at its all time low. We inherited from the previous management a heavy debt burden, high trade receivables, and some investments which subsequently went sour. The Company's financial position was weak and cashflow was extremely tight. Staff morale was frail. The Company was then at the crossroads.

The new management team worked round the clock to solve problems, one after another. An Executive Committee was also established about the same time, comprising individuals from a broad spectrum of expertise and experience. They provided the much needed support for the management team, and helped the Board to carve out a workable long term strategy for the Company moving forward.

Executive Chairman's Statement

Financial Rejuvenation

The first task the new management undertook was to re-examine the financial aspects of the Company. For the FYE 30 June 2009 audited accounts, the new management took a bold decision to make a provision of RM10.7 million in doubtful receivables, which was one of the 'legacies' passed down from the previous management. For this financial year, we have provided a further RM4.5million in doubtful debts. This 'house keeping' exercise has cost us dearly, yet as prudent financial management practice, we believed it was the right decision to take. We can now start afresh, with no more over-hanging burdens on our shoulders as we move forward.

During the financial year, we have also successfully restructured our banking facilities to make it more palatable in matching our loan repayment obligation against operational cashflow. Now, we have a much better cash management, thus allowing us to implement new marketing and sales strategies more effectively. On that score, I would like to extend our appreciation to Bank Kerjasama Rakyat Malaysia Berhad for its support and confidence in us and in our business.

We have also implemented an aggressive collection effort to gradually recover the long overdue debts. At the same time, a stringent set of credit control procedures for our customers was introduced. All these are aimed at improving our cashflow, and minimising the occurrence of future bad debt. For that, I am happy to report to you that during a span of one year, we managed to improve our receivables collection based on the days-of-sales-outstanding (DSO) from 156 days a year ago to just 79 days now.

As you may be aware, our RO bottled water manufacturing arm Amshore Holdings Sdn Bhd subscribed RM35 million in unsecured bonds under the Primary Collateralised Loan Obligation (CLO) scheme issued by Idaman Capital Berhad in 2006. The CLO will be due for bullet repayment in October 2011. As early as late last year, we have begun our discussions with the trustee of the bonds as well as several key bondholders on the possibility of an early redemption exercise. I am glad to inform you that our negotiations are at an advanced stage, and we hope to reach an agreement soon.

RO Water Operations

The last twelve months saw the implementation of a sound marketing and sales strategy for our RO water operations. We have successfully regained a significant portion of the lost accounts which discontinued carrying our products during the previous few years. At the same time, we have also managed to expand our geographical reach and secured many new quality customers. The Company has always been a regional RO water player with market penetration limited to the vicinity of the State of Johor and Singapore. Now we are proud to see our products displayed at major hypermarkets and retail outlets in the Klang Valley and even some northern states in Peninsula Malaysia. We will continue our efforts to expand our presence in other parts of the country. On the product mix, whilst we continue to focus on our OEM markets, in particular to Singapore, we are also aggressively making in-roads into other sectors, such as the government sector, hotel chains etc.

Arctic Ice

On 5 March 2010, through a newly incorporated 66.67%-owned subsidiary Arctic Ice (M) Sdn Bhd (AIM), we have secured the rights to manufacture and distribute Arctic Ice Energy Drinks under the **Arctic Ice** label from US-based Arctico Beverage Company Ltd. This agreement is for the entire Asian region. We are developing a comprehensive marketing and operation plans to gradually roll out **Arctic Ice** products in the Asian markets, starting from Malaysia-Singapore and China, followed by the Asean countries. Once these markets are established, we will expand our footprint to the South Asia region (India, Pakistan etc.), and the Middle East.

Also worth mentioning is that Arctic Ice has secured a 3-year sponsorship programme with the Manchester United Football Club. This MUFC endorsement will boost the brand equity of **Arctic Ice**, and will surely help enhance our marketing efforts in promoting our energy drinks in the respective markets.

Performance Review

For the FYE 30 June 2010, our Group revenue was RM16.0 million against RM22.4 million recorded in the previous year. Whilst we acknowledge that the figures were less encouraging, we are positive that there were obvious improvements toward the second half of the financial year, a testimony that our marketing and sales strategies were beginning to bear fruits.



Executive Chairman's Statement

On the bottomline, we managed to reduce our net loss to RM9.7 million during this financial year, from RM29.6 million registered a year ago. This was attributable to improvement in our operational efficiencies, reduction in provisioning and the result of our cost cutting measures.

Prospects of the Company

The bottled water industry in Malaysia is worth an estimated RM450 million in 2009. According to an international renowned survey firm Snapshots International Ltd, this industry is poised to undergo a CAGR of 12.5% to about RM700 million in year 2013. We are confident that, with a strong marketing and sales team in place, coupled with the sustainable economic growth of the country, our prospects in RO water will remain encouraging.

The emergence of the energy drink division signifies a cornerstone to our growth story. This horizontal diversification will also create a synergistic advantage for our RO water. We are transforming the company from merely a domestic RO water producer into an Asian-wide energy drink player. With **Arctic Ice**, we are redefining our business dynamics, and improving our brand image and market reach almost overnight. In the longer term, we are also planning to add new beverage products such as isotonic and flavoured drinks to our existing range. We envisage that this strong business platform will be able to withstand the test of time, and weather the challenges head-on.

Conclusion

The efforts we were devoting in since a year ago is gradually showing results. For the new management team, I applaud these fine individuals' dedication and hard work, which enabled the Company to steer back onto its course. To our employees, customers and business associates, I take this opportunity to record my gratitude to your loyalty and support.

I also salute the long serving independent board members who have been with the Company since its inception. They remained firm in their commitments and upheld their responsibilities as guardians to the shareholders. They stood by their principles, especially during the cloudy days, to preserve the best interests of the Company and its shareholders. And to all the board members, I thank you for your contributions and look forward to working closely with you in the coming years.

Whilst there is still a lot of unfinished work, I believe we are now on the right track. We will continue to move forward with the plans and approaches we crafted out during the last twelve months. We have good products and a weatherproof strategy which we believe can propel the Company to greater heights. *Insyah'Allah*, when I write to you again next year, I will have more exciting results to share with you. We must do better, we can do better, and we will do better. I assure you that.

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



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 2010.

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

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

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

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

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

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



Statement on **Corporate Governance**

(A) **DIRECTORS (CONT'D)**

(ii) **Board Meetings**

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

For the financial year ended 30 June 2010, the attendance of the Directors is as follows:-

Director	No. of meetings attended
Datuk Idris bin Haji Hashim*	2/2
Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam**	6/6
Dato' Hamzah bin Mohd Salleh	8/8
Mr. Wong Kok Seong	8/8
En. Auzir bin Mohd Yaacob	7/8
Mr. Chong Kim Chan***	4/4
Mr. Leong Choon Meng***	4/4
En. Mustafa bin Ibrahim****	2/2

* Appointed as Executive Chairman on 11 January 2010

** Appointed as Non-Independent Non-Executive Director on 20 August 2009 and subsequently redesignated as Executive Director on 28 August 2009, and as Managing Director on 11 January 2010.

*** Resigned as Director on 28 August 2009

**** Resigned as Director on 27 August 2009

Note: Number of meetings attended by each Director may vary according to their dates of resignation and appointment

(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 the Executive Chairman 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.

Statement on **Corporate Governance**

(A) DIRECTORS (CONT'D)

(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. The Nomination Committee comprise a majority of independent non-executive directors and not exclusively of non executive directors as recommended by the Code.

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

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

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

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

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

For the financial year ended 30 June 2010, the Nomination Committee met two (2) times.

Members	No. of meetings attended
Dato' Hamzah bin Mohd Salleh	2/2
Mr. Wong Kok Seong	2/2
Mr. Chong Kim Chan*	1/1

* Resigned as Director on 28 August 2009

Note: Number of meetings attended by each member may vary according to their dates of resignation and appointment

(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.



Statement on **Corporate Governance**

(B) DIRECTORS' REMUNERATION

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

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

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

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

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

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

Number of Directors whose remuneration falls into the following bands:

Range of Remuneration	Executive	Non-executive
Below RM 50,000	-	3
RM 50,001 to RM 100,000	1	-
RM 100,001 to RM 150,000	1	-
RM 150,001 to RM 200,000	-	-
RM 200,001 to RM 250,000	-	-
RM 250,001 to RM 300,000	-	-

For financial year ended 30 June 2010, none of the Directors were offered share options under the Company's Employee Share Option Scheme.

(C) SHAREHOLDERS AND INVESTORS

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

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

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

Statement on **Corporate Governance**

(D) ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

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

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

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

(ii) Internal Control

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

The Statement on Internal Control of the Group set out on Pages 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 2010, 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.

Statement on **Corporate Governance**

(E) ADDITIONAL COMPLIANCE INFORMATION

(i) Utilisation of Proceeds

For the financial year ended 30 June 2010, the proceeds from the public issue totalling RM 12.213 million have been fully utilized. Details of the utilization are as follows:-

Utilisation as at 30/06/2010	RM'000
Repayment of hire purchase loan	4,000
Expansion of operations	-
Working capital	6,213
Defray estimated listing expenses	2,000

(ii) Recurrent Related Party Transaction

There were no recurrent related party transactions involved in the financial year ended 30 June 2010.

(iii) Share Buyback

There were no share buyback transactions involved in the financial year ended 30 June 2010.

(iv) 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 2010.

(v) Depository Receipt Programme

The Group and its subsidiaries have not sponsored any Depository Receipt Programme for the financial year ended 30 June 2010.

(vi) 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.

(vii) Material Contracts

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

(viii) Revaluation of Landed Properties

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

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) Contracts Relating to Loan

The group accepted the restructured financial facilities extended by Bank Kerjasama Rakyat Malaysia Berhad on 7 July 2010, as per the terms and conditions of their letters of offer dated 12 May 2010 and 25 June 2010.

Audit Committee Report

COMPOSITION AND MEMBERSHIP

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

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

Dato' Hamzah Bin Mohd Salleh
Member/Independent Non-Executive Director

Encik Auzir Bin Mohd Yaacob
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:

1. the Audit Committee must be composed of no fewer than three (3) members;
2. all the Audit Committee members should be non-executive directors, with a majority of them being independent directors;
3. at least one (1) member of the Audit Committee:-
 - i. must be a member of the Malaysian Institute of Accountants; or
 - ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience; and
 - a. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - b. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - c. fulfils such other requirements as prescribed or approved by Bursa Securities.
4. no alternate director is appointed as a member of the Audit Committee.

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

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



Audit Committee Report

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

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

Authority

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

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

Functions and Duties

The functions and duties of the Audit Committee are:-

1. to review the following and report the same to the Board of Directors of the Company:
 - a. with the external auditor, the audit plan;
 - b. with the external auditor, his evaluation of the system of internal controls;
 - c. with the external auditor, his audit report;
 - d. the assistance given by the employees of the Company to the external auditor;
 - e. the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - f. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - g. the quarterly results and year end 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;
 - i. any letter of resignation from the external auditors of the Company; and
 - j. whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment.
2. to recommend the nomination of a person or persons as external auditors.
3. to carry out such other functions as may be agreed to by the Audit Committee and the Board of Directors.

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

Audit Committee Report

MEETINGS

1. Meetings of the Committee shall be held not less than four (4) times a year.
2. The Chairman shall convene a meeting of the Committee if requested to do so in writing by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee.
3. A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as
 - i. the quorum of Committee is met;
 - ii. at the commencement of the meeting each Committee member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;
 - iii. each of the Committee members taking part is able to be heard and hear each of the other members subject as hereinafter mentioned throughout the meeting; and
 - iv. the Committee members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone, but the meeting shall be deemed to have been conducted validly notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the members during the disconnection and that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned
4. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee.
5. Written notice of the meeting together with the agenda shall be given to the members of the Committee, external auditor and any other person invited to attend the meeting, where applicable.
6. The Head of Finance Department, the Head of Internal Audit (where such a function exists) shall normally attend meetings. Other Board members, employees, any professionals or outsiders and a representative of the external auditors with relevant experience or expertise may attend any particular meeting only at the Committee's invitation.
7. At least twice a year, the Committee shall meet with the external auditors without Executive Board members present.
8. The quorum for a meeting of the Committee shall be two (2), Provided Always that the majority of members present must be independent directors.
9. Any decision of the Committee shall be by simple majority.
10. The Committee shall record its conclusions in discharging its duties and responsibilities.
11. The Company Secretary shall be the Secretary of the Committee.
12. The Secretary is responsible for sending out notices of the meetings and preparing and keeping minutes of meetings.

The Audit Committee held seven (7) meetings during the financial year ended 30 June 2010 and the attendance of each Audit Committee member are as follows:

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

Audit Committee Report

SUMMARY OF ACTIVITIES

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

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

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an external firm specializing in internal audit work. For the financial year ended 30 June 2010, the cost incurred for internal audit function was RM17,000. The internal auditor reports to the Audit Committee and carried out the audit reviews in accordance with the internal audit plan. The audit findings and recommendations will be forwarded to the management concerned for attention and necessary action. The Audit Committee reviews and deliberates the internal audit reports and relevant issues presented during the regular Audit Committee meetings.

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

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

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

Statement on **Internal Control**

The Board of Directors of Bio Osmo Berhad is pleased to disclose that this statement is in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the Group's compliance with the Principles and Best Practices relating to internal control as stipulated in the Malaysian Code on Corporate Governance for the financial year ended 30 June 2010.

BOARD RESPONSIBILITY

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

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

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

RISK MANAGEMENT FRAMEWORK

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

This process has been in place throughout the year and up to the date of approval of the annual report and financial statements. Our Audit Committee together with our outsourced internal audit firm, independently reviews the risk identification procedures implemented by the Management to ensure the effectiveness of the Group's system of internal control. The cost incurred for the services of the internal audit function during the financial year was about RM17,000.

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

ASSURANCE MECHANISM

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

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

Statement on **Internal Control**

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 formulate the strategic direction and plans for the Group.
- The preparation of periodic and annual results and the financial performance together with the state of affairs of the Group are reviewed and approved by the Board before their release to the regulators whilst the full year financial statements are audited by the external auditors before their issuance to the regulators and shareholders.
- The Group views and takes continuous efforts in maintaining the quality of products and services offered by the group. The Directors and Management team ensure that safety and health regulations, environmental requirements and relevant legislations affecting the Group's operations and Quality Control are considered and complied with, as appropriate and without compromise.
- Active participation and involvement by Executive Directors in the day-to-day operation of the whole Group.

CONCLUSION

During the financial year ended 30 June 2010, there were no material losses resulting from control failures, breakdowns or weaknesses in the Group's system of internal controls. The Group will continue to take the necessary measures to ensure that the system of internal controls is in place and functions effectively.

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



REPORTS AND FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2010.

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
Net loss for the financial year	9,742,473	27,937,015
Attributable to:		
Equity holders of the parent	9,742,472	27,937,015
Minority shareholders' interests	1	-
	<hr/> 9,742,473	<hr/> 27,937,015

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

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 current financial year.

Dividend

The Board of Directors does not recommend any dividend in respect of 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.

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.

DIRECTORS' REPORT

Issue of Shares and Debentures

There were no issues of shares and debentures 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
Dato' Hamzah Bin Mohd Salleh
Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam appointed on 20.8.2009
Wong Kok Seong
Datuk Idris Bin Haji Hashim appointed on 11.1.2010

Directors' Interests

Details of holdings and deemed interests in the share capital of the Company or its related corporations by the Directors in 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:

	No. of ordinary shares of RM0.20 each			At 30.6.2010
	At 1.7.2009	Acquired	Disposed	
Direct interest				
Dato' Hamzah Bin Mohd Salleh	3,765,317	-	-	3,765,317
Auzir Bin Mohd Yaacob	10,000	-	-	10,000
Wong Kok Seong	10,000	-	-	10,000
Indirect interest				
Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam ¹	50,000,000	-	-	50,000,000

Note:

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

By virtue their interest in the Company, Dato' Hamzah Bin Mohd Salleh and Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam also deemed to have interest in the shares of all subsidiary companies to the extent the Company has an interest.

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits 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.



DIRECTORS' REPORT

Other Statutory Information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that 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 value in the ordinary course of business were 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 which would render:
- (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
 - (iii) any amount stated in the financial statements of the Group and of the Company misleading; and
 - (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (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 (12) months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and 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 and the Company which have arisen since the end of the financial year to secure the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Group and the Company which have arisen since the end of the financial year.

Significant Events

The significant events are disclosed in Note 29 to the financial statements.

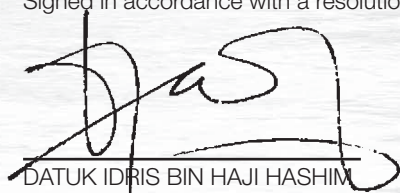
Subsequent Events

The subsequent events are disclosed in Note 30 to the financial statements.

Auditors

The auditors, UHY, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Directors.



DATUK IDRIS BIN HAJI HASHIM
KUALA LUMPUR



DATUK SERI KRISHNA KUMAR
A/L SIVASUBRAMANIAM

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

STATEMENT BY DIRECTORS


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

We, DATUK SERI KRISHNA KUMAR A/L SIVASUBRAMANIAM and DATUK IDRIS BIN HAJI HASHIM, 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 59 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 of 30 June 2010 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors.



DATUK IDRIS BIN HAJI HASHIM
KUALA LUMPUR



DATUK SERI KRISHNA KUMAR
A/L SIVASUBRAMANIAM

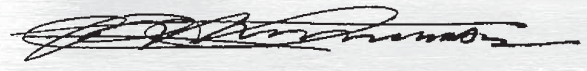
STATUTORY DECLARATION

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

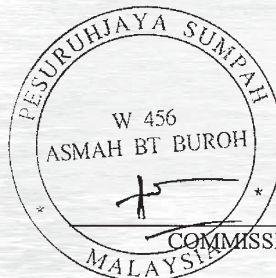
I, DATUK SERI KRISHNA KUMAR A/L SIVASUBRAMANIAM, being the Director primarily responsible for the financial management of BIO OSMO BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 29 to 59 are to the best of my knowledge and belief, correct and I make this solemn 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 DATUK SERI KRISHNA KUMAR
A/L SIVASUBRAMANIAM at KUALA LUMPUR
in the Federal Territory this

28 OCT 2010



Before me,



COMMISSIONER FOR OATHS

No. 766, Jalan Sentul,
Sentul 51000 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIO OSMO BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Bio Osmo Berhad, which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 59.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly 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 of 30 June 2010 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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 its subsidiary companies have been properly kept in accordance with the provisions of the Act;
- (b) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
- (c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIO OSMO BERHAD (Incorporated in Malaysia)

Other Matters

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



UHY

Firm Number: AF 1411

Chartered Accountants



TEE GUAN PIAN

Approved Number: 1886/05/12 (J/PH)

Chartered Accountant

KUALA LUMPUR

BALANCE SHEETS AS AT 30 JUNE 2010

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Non-Current Assets					
Property, plant and equipment	3	49,227,073	53,313,630	7,959	8,888
Investments in subsidiary companies	4	-	-	5,476,005	32,698,198
Other investments	5	3,500,000	3,500,000	-	-
Deferred tax assets	6	4,414,108	-	-	-
		<u>57,141,181</u>	<u>56,813,630</u>	<u>5,483,964</u>	<u>32,707,086</u>
Current Assets					
Inventories	7	1,306,553	1,562,206	-	-
Trade receivables	8	3,477,133	9,616,490	-	-
Other receivables	9	9,960,654	10,373,134	12,050	-
Tax recoverable		55,264	55,264	-	-
Amounts owing by subsidiary companies	10	-	-	9,010,162	9,695,151
Fixed deposit with licensed banks	11	348,500	652,000	-	-
Cash and bank balances		304,880	1,647,879	26,995	22,043
		<u>15,452,984</u>	<u>23,906,973</u>	<u>9,049,207</u>	<u>9,717,194</u>
Non-current assets held for sales	12	920,300	-	-	-
		<u>16,373,284</u>	<u>23,906,973</u>	<u>9,049,207</u>	<u>9,717,194</u>
Total Assets		<u>73,514,465</u>	<u>80,720,603</u>	<u>14,533,171</u>	<u>42,424,280</u>
Equity					
Share capital	13	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
Accumulated losses		(28,904,729)	(19,162,256)	(28,410,079)	(473,064)
Equity attributable to equity holders of the company		<u>13,948,576</u>	<u>23,691,049</u>	<u>14,443,226</u>	<u>42,380,241</u>
Non-Current Liabilities					
Bank borrowings	14	50,693,946	42,531,364	-	-
Hire purchase payables	15	108,520	780,316	-	-
		<u>50,802,466</u>	<u>43,311,680</u>	<u>-</u>	<u>-</u>
Current Liabilities					
Trade payables	16	1,730,469	1,633,800	-	-
Other payables	17	4,548,958	1,581,175	89,945	44,039
Bank borrowings	14	1,812,199	9,778,354	-	-
Hire purchase payables	15	671,797	724,545	-	-
		<u>8,763,423</u>	<u>13,717,874</u>	<u>89,945</u>	<u>44,039</u>
Total Liabilities		<u>59,565,889</u>	<u>57,029,554</u>	<u>89,945</u>	<u>44,039</u>
Total Equity and Liabilities		<u>73,514,465</u>	<u>80,720,603</u>	<u>14,533,171</u>	<u>42,424,280</u>

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

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Revenue	18	16,038,382	22,421,545	-	-
Cost of sales		(16,399,550)	(27,783,314)	-	-
Gross loss		(361,168)	(5,361,769)	-	-
Other operating income		201,652	629,815	-	-
Administrative expenses		(2,562,137)	(3,972,995)	(27,857,826)	(880,426)
Selling and distribution expenses		(7,619,561)	(14,303,451)	(71,086)	(192,815)
Loss from operations		(10,341,214)	(23,008,400)	(27,928,912)	(1,073,241)
Finance costs	19	(3,807,264)	(3,474,860)	-	-
Loss before taxation	20	(14,148,478)	(26,483,260)	(27,928,912)	(1,073,241)
Taxation	21	4,406,005	(3,160,570)	(8,103)	(203)
Net loss for the financial year		(9,742,473)	(29,643,830)	(27,937,015)	(1,073,444)
Net loss for the financial year attributable to:					
Equity holders of the parent		(9,742,472)	(29,643,830)		
Minority shareholders' interests		(1)	-		
Loss per share attributable to the equity holders of the parent (sen)		(9,742,473)	(29,643,830)		
Basic	22	(4.9)	(14.8)		

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



STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Group	Note	Share Capital RM	Share Premium RM	Retained Profit/ (Accumulated Losses) RM	Total RM
At 1 July 2008		40,000,000	2,853,305	12,481,574	55,334,879
Net loss for the financial year		-	-	(29,643,830)	(29,643,830)
Dividend paid	23	-	-	(2,000,000)	(2,000,000)
At 30 June 2009		40,000,000	2,853,305	(19,162,256)	23,691,049
At 1 July 2009		40,000,000	2,853,305	(19,162,256)	23,691,049
Net loss for the financial year		-	-	(9,742,473)	(9,742,473)
At 30 June 2010		40,000,000	2,853,305	(28,904,729)	13,948,576
Company					
At 1 July 2008		40,000,000	2,853,305	2,600,380	45,453,685
Net loss for the financial year		-	-	(1,073,444)	(1,073,444)
Dividend paid	23	-	-	(2,000,000)	(2,000,000)
At 30 June 2009		40,000,000	2,853,305	(473,064)	42,380,241
At 1 July 2009		40,000,000	2,853,305	(473,064)	42,380,241
Net loss for the financial year		-	-	(27,937,015)	(27,937,015)
At 30 June 2010		40,000,000	2,853,305	(28,410,079)	14,443,226

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010 RM	2009 RM
Cash Flows From Operating Activities			
Loss before taxation		(14,148,478)	(26,483,260)
Adjustments for:			
Allowance for doubtful debts	8	4,513,793	10,672,826
Depreciation of property, plant and equipment		3,372,369	6,042,256
Property, plant and equipment written off		-	75,378
Loss on disposal of property, plant and equipment		3,667	59,033
Unrealised loss/(gain) on foreign exchange		12,078	(151,025)
Interest expense		3,807,264	3,474,860
Allowance for doubtful debts no longer required		(7,883)	-
Operating loss before working capital changes		(2,447,190)	(6,309,932)
Decrease/(Increase) in working capital			
Inventories		255,653	2,842,025
Trade receivables		1,633,447	1,551,712
Other receivables		412,480	(61,057)
Trade payables		96,669	(469,775)
Other payables		347,363	279,950
		2,745,612	4,142,855
Cash generated from/(used in) operations		298,422	(2,167,077)
Interest paid		(1,186,844)	(3,474,860)
Tax paid		(8,103)	(43,570)
Tax refund		-	1,094,736
		(1,194,947)	(2,423,694)
Net cash used in operating activities		(896,525)	(4,590,771)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(211,279)	(1,648,604)
Proceed from disposal property, plant and equipment		1,500	171,000
Net cash used in investing activities		(209,779)	(1,477,604)

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010 RM	2009 RM
Cash Flows From Financing Activities		
Drawdown of term loan	-	8,590,400
Net changes in revolving credit	921,271	8,892,088
Dividend paid	-	(2,000,000)
Repayment of term loan	(724,844)	(7,501,329)
Repayment of hire purchase payables	(724,544)	(668,907)
Placement of fixed deposit pledged	(348,500)	-
Drawdown of bankers' acceptance	-	(4,096,000)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(876,617)	3,216,252
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,982,921)	(2,852,123)
Effect of exchange rate changes	(12,078)	151,025
Cash and cash equivalents at beginning of the financial year	2,299,879	5,000,977
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	304,880	2,299,879
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial year comprise:		
Cash and bank balances	304,880	1,647,879
Fixed deposit with licensed banks	348,500	652,000
	<hr/>	<hr/>
	653,380	2,299,879
Less: Fixed deposit with licensed bank pledged	(348,500)	-
	<hr/>	<hr/>
	304,880	2,299,879
	<hr/>	<hr/>

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

COMPANY CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010 RM	2009 RM
Cash Flows From Operating Activities		
Loss before taxation	(27,928,912)	(1,073,241)
Adjustments for:		
Depreciation of property, plant and equipment	929	401
Impairment loss on investments in subsidiary companies	27,222,198	-
Operating loss before working capital changes	(705,785)	(1,072,840)
(Increase)/Decrease in working capital		
Other receivables	(12,050)	-
Other payables	45,906	(44,346)
Amounts owing to/by subsidiary companies	684,984	3,071,924
	718,840	3,027,578
Cash generated from operations	13,055	1,954,738
Tax paid	(8,103)	(203)
Dividend paid	-	(2,000,000)
Net cash generated from/(used in) operating activities	4,952	(45,465)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	-	(9,289)
Net cash used in investing activities	-	(9,289)
Net increase/(decrease) in cash and cash equivalents	4,952	(54,754)
Cash and cash equivalents at beginning of the financial year	22,043	76,797
Cash and cash equivalents at end of the financial year	26,995	22,043
Cash and cash equivalents at end of the financial year comprise:		
Cash and bank balances	26,995	22,043

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 listed company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

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

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

2. Basis of Preparation and Significant Accounting Policies

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in compliance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

During the financial period, the Company has adopted the following applicable Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board that are mandatory for current financial year:

	Effective date for financial periods beginning on or after
FRS 8 Operating Segments	1 July 2009

The Group and the Company have not adopted the following new FRSs and Amendments to FRSs which have been issued as at the date of authorisation of this financial statements but are not yet effective for the Group and for the Company.

FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(a) Basis of accounting (cont'd)

	Effective date for financial periods beginning on or after
	<hr/>
Amendments to FRS1, First-time Adoption Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)”	1 January 2010
Amendments to FRS 132 Financial Instruments: Presentation	1 March 2010
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations	1 July 2010
FRS 127 Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
Amendment to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendment to FRS 1 Additional Exemptions for First- time Adopters	1 January 2011
Amendment to FRS 2 Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendment to FRS 7 Improving Disclosures about Financial Instruments	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

The initial applications of the above applicable new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Company, except as discussed below:

(i) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity’s financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management’s objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity’s key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(a) Basis of accounting (cont'd)

(ii) FRS 123 Borrowing Costs

This new standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

(iii) FRS 139 Financial Instruments: Recognition and Measurement

This new standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

The Company has applied the transitional provisions in FRS 7 and FRS 139 which exempt entities from disclosing the possible impact arising from initial application of the respective standards on the financial statements of the Company.

(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 Company'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 balance sheet 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) Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the useful lives of the assets. 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 industry. 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 Company's property, plant and equipment at 30 June 2010 is stated in Note 3 to the financial statements.

The Group reviewed the estimated useful lives of property, plant and equipment annually. During the financial year, the estimated useful lives of certain items of plant and machinery has been revised from 10 years to 15 years after considering the changes in the technological advancement and the market demand for goods produced using these items of plant and machinery.

The change in the estimated useful lives corresponding reduces the depreciation in profit or loss by RM2,567,484 for the current financial year. The financial effects for the change in depreciation rate in 2011 and 2012 are estimated to reduce the depreciation by RM2,562,957 and RM2,422,994 respectively, if there are no disposals of these assets.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

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

(ii) Impairment of investment in subsidiary companies

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 2010 is stated in Note 4 to the financial statements.

(iii) Allowance for doubtful debts

The Group makes allowance for doubtful debts 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 concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of allowance for doubtful debts. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(iv) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expense in determining the Company-wide provision for income taxes. The Company 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 financial year in which such determination is made.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiary companies from the date that control effectively commences until the date that control effectively ceases through equity accounting which are made up to the end of the financial year.

(i) Subsidiary companies

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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 minority interest. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate. The accounting policy on goodwill on acquisition of subsidiary companies is set out in Note 2(g). Reserve on consolidation is recognised immediately in income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(d) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unimpaired balance of goodwill which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the fair value of identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company.

(ii) Changes in Group composition

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies.

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting date.

Acquisition of subsidiary companies is accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(g).

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income on the date of acquisition.

Subsidiary companies are consolidated using the purchase method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceased.

(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 for the recognition and measurement of impairment losses is in accordance with Note 2(h).

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

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

(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 income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. 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 for the current and comparative periods are as follows:

	2010	2009
Buildings	50 years	50 years
Plant and machinery	10 - 15 years	10 years
Office equipment, furniture and fittings and renovation	5 - 10 years	5 - 10 years
Motor vehicles	5 years	5 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the income statement. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

(f) Investment in subsidiary companies

Investment in subsidiary companies are stated at cost less accumulated impairment losses. The policy of the recognition and measurement of impairment losses is in accordance with Note 2(h).

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is recognised in the income statement.

(g) Goodwill on consolidation

Goodwill or reserve arising on consolidation represents the difference between the cost 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 income statement.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired, in accordance with Note 2(h).

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(g) Goodwill on consolidation (cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is measured at cost less impairment losses and is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired, in accordance with Note 2(h).

(h) Impairment of assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement in the period in which it arises.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(i) Other investments

Other investments are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h).

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

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(j) Inventories

Inventories are measured at the lower of cost and net realisable value and are determined on the first-in first-out method. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(k) Trade and other receivables

Trade and other receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

(l) Non-current asset held for sale

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

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

A component of the Company is classified as a discontinued operation when the criteria to be classified as held for sale have been met.

(m) Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(n) Hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group and to the Company all the risks and rewards incidental to ownership. All other leases are treated as operating leases.

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

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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 income statement on a straight line basis over the term of the relevant lease.



NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(a) Borrowing

Interest bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs incurred.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the financial year.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(p) 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 income statement.

Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using historical rate as at the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

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

	2010	2009
	RM	RM
1 US Dollar (USD)	3.258	3.519
1 Singapore Dollar (SGD)	2.324	2.431

(q) Revenue recognition

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

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and exclude fixed deposits, sinking funds account and cash collateral account pledged to secure banking facilities, if any.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(s) Income taxes

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

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities in the balance sheet and its tax base at the balance sheet date. 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 asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(t) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as deduction from share premium, otherwise, it is charged to the income statement.

Dividends on ordinary shares, when declared or proposed by the Director of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

(u) Employee benefits

(i) Short term employee benefits

Wages, salaries, 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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 balance sheet date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(v) Provisions

A provision is recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(w) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, deposits, marketable securities, other investments, receivables, payables and borrowings. Financial instruments are recognised in the balance sheet when the Group and the Company has become a party to the contractual provisions of the instrument.

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

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

3. Property, Plant and Equipment

Group	Freehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings and renovation RM	Motor Vehicles RM	Total RM
Cost						
At 1 July 2009	4,237,715	13,090,568	51,617,516	1,481,517	1,323,143	71,750,459
Additions	-	-	155,613	55,666	-	211,279
Disposals	-	-	(10,000)	-	-	(10,000)
Reclassification to non-current assets held for sales	(920,300)	-	-	-	-	(920,300)
At 30 June 2010	3,317,415	13,090,568	51,763,129	1,537,183	1,323,143	71,031,438
Accumulated depreciation						
At 1 July 2009	-	1,108,432	16,056,354	573,039	699,004	18,436,829
Charge for the financial year	-	401,289	2,544,611	176,941	249,528	3,372,369
Disposals	-	-	(4,833)	-	-	(4,833)
At 30 June 2010	-	1,509,721	18,596,132	749,980	948,532	21,804,365
Carrying amount						
At 30 June 2010	3,317,415	11,580,847	33,166,997	787,203	374,611	49,227,073

NOTES TO THE FINANCIAL STATEMENTS

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

Group	Freehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings and renovation RM	Motor Vehicles RM	Total RM
Cost						
At 1 July 2008	4,237,715	12,775,568	50,355,296	1,432,133	1,865,899	70,666,611
Additions	-	315,000	1,262,220	49,384	22,000	1,648,604
Disposals	-	-	-	-	(414,000)	(414,000)
Written off	-	-	-	-	(150,756)	(150,756)
At 30 June 2009	4,237,715	13,090,568	51,617,516	1,481,517	1,323,143	71,750,459
Accumulated depreciation						
At 1 July 2008	-	730,770	10,916,318	390,240	616,590	12,653,918
Charge for the financial year	-	377,662	5,140,036	182,799	341,759	6,042,256
Disposals	-	-	-	-	(183,967)	(183,967)
Written off	-	-	-	-	(75,378)	(75,378)
At 30 June 2009	-	1,108,432	16,056,354	573,039	699,004	18,436,829
Carrying amount						
At 30 June 2009	4,237,715	11,982,136	35,561,162	908,478	624,139	53,313,630

Company

	Office equipment RM	Total RM
Cost		
At 1 July 2009/30 June 2010	9,289	9,289
Accumulated depreciation		
At 1 July 2009	401	401
Charge for the financial year	929	929
At 30 June 2010	1,330	1,330
Carrying amount		
At 30 June 2010	7,959	7,959
Cost		
At 1 July 2008	-	-
Additions	9,289	9,289
At 30 June 2009	9,289	9,289
Accumulated depreciation		
At 1 July 2008	-	-
Charge for the financial year	401	401
At 30 June 2009	401	401
Carrying amount		
At 30 June 2009	8,888	8,888

NOTES TO THE FINANCIAL STATEMENTS

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

- (i) During the financial year, the Group has revised the depreciation rate of their plant and machinery based on the recommendation of the consultant for the plant and machinery Messrs HS Machinery Enterprise. The evaluation of the depreciation rate was carried out on the entire class of plant and machinery of the Group amounting to RM51,617,516. The Directors have adopted the recommendation of Messrs HS Machinery Enterprise to depreciate the plant and machinery over their estimated remaining useful life. The effect of the change to the depreciation is being disclosed in Note 2(c) (i).
- (ii) Included in the property, plant and equipment of the Group are motor vehicles and plant and machinery under hire purchase arrangement with carrying amount of RM264,553 and RM2,279,200 (2009: RM396,997 and RM2,486,400) respectively.
- (iii) The carrying amounts of property, plant and equipment of the Group which have been pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 14 to the financial statements are as follows:

	Group	
	2010 RM	2009 RM
Freehold land and buildings	14,898,262	16,219,851
Plant and machinery	33,166,997	35,561,162
Office equipment, furniture and fittings and renovation	779,244	899,590
Motor vehicles	374,611	624,139
	49,219,114	53,304,742

4. Investments in Subsidiary Companies

- (i) Investments in subsidiary companies

	Company	
	2010 RM	2009 RM
Unquoted shares in Malaysia, at cost	32,698,203	32,698,198
Less: Impairment loss	(27,222,198)	-
	5,476,005	32,698,198

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

Name of company	Country of incorporation	Effective interest		Principal activity
		2010 %	2009 %	
Amshore Holdings Sdn. Bhd.	Malaysia	100	100	Processing, manufacturing and selling of drinking water
Morning Valley Sdn. Bhd.	Malaysia	100	100	Dormant
Arctic Ice (M) Sdn. Bhd.	Malaysia	67	-	Dormant
Corporate Advisory and Re-engineering Services Sdn. Bhd.	Malaysia	100	-	Dormant

NOTES TO THE FINANCIAL STATEMENTS

4. Investments in Subsidiary Companies (cont'd)

(iii) Acquisition of subsidiary companies

During the financial year, the Company acquired Arctic Ice (M) Sdn. Bhd. ("Arctic Ice") and Corporate Advisory and Re-engineering Services Sdn. Bhd. ("CARES").

The acquisition of Arctic Ice and CARES do not have material impact on the financial positions and results of the Group as both of the subsidiary companies are dormant.

5. Other Investments

	Group	
	2010 RM	2009 RM
Unquoted bond, at cost	3,500,000	3,500,000

This is in respect of asset-backed securities comprising Subordinated Bonds under the Primary Collateralised Loan Obligation ("Primary CLO") as disclosed in Note 13 to the financial statements.

Pursuant to the Primary CLO transaction, the Company 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 bond is depending on the availability of cash flows after fulfilling payment obligation senior to the Bonds at the maturity on 10 October 2011.

Unless it is redeemed in full or cancelled, the Bonds will mature on or about 10 October 2011. The Bonds are subject to mandatory redemption at the outstanding principal together with any accrued interest on maturity date of the Bonds.

6. Deferred Tax Assets/(Liabilities)

	Group	
	2010 RM	2009 RM
At 1 July	-	3,117,000
Recognised in income statements	4,414,108	(3,117,000)
At 30 June	4,414,108	-
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	(5,422,952)	(4,492,000)
Deferred tax assets	9,837,060	4,492,000
	4,414,108	-

NOTES TO THE FINANCIAL STATEMENTS

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

The previous year components and movements of deferred tax (assets)/liabilities of the Group prior to offsetting are as follows:

Deferred tax assets of the Group:

	Allowance for doubtful debts RM	Unused tax losses RM	Unutilised capital allowance RM	Unutilised reinvestment allowance RM	Total RM
At 1 July 2009	2,703,600	-	-	1,788,400	4,492,000
Recognised in income statements	1,126,471	2,684,500	3,322,489	(1,788,400)	5,345,060
At 30 June 2010	3,830,071	2,684,500	3,322,489	-	9,837,060
At 1 July 2008	37,000	-	292,000	7,141,000	7,470,000
Recognised in income statements	2,666,600	-	(292,000)	(5,352,600)	(2,978,000)
At 30 June 2009	2,703,600	-	-	1,788,400	4,492,000

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Total RM
At 1 July 2009	(4,492,000)	(4,492,000)
Recognised in income statements	(930,952)	(930,952)
At 30 June 2010	(5,422,952)	(5,422,952)
At 1 July 2008	(4,353,000)	(4,353,000)
Recognised in income statements	(139,000)	(139,000)
At 30 June 2009	(4,492,000)	(4,492,000)

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

	Group	
	2010 RM	2009 RM
Unused tax losses	-	5,098,000
Unutilised capital allowance	1,857,512	8,416,000
Unutilised reinvestment allowance	26,498,000	19,072,400
	28,355,512	32,586,400

NOTES TO THE FINANCIAL STATEMENTS

7. Inventories

	Group	
	2010 RM	2009 RM
Raw materials	846,258	1,316,052
Finished goods	460,295	246,154
	1,306,553	1,562,206

8. Trade Receivables

	Group	
	2010 RM	2009 RM
Trade receivables	18,797,418	20,430,865
Less : Allowance for doubtful debts	(15,320,285)	(10,814,375)
	3,477,133	9,616,490

(i) The Group's normal trade credit terms range from 7 to 60 days (2009: 7 to 60 days). Other credit terms are assessed and approved on a case by case basis.

(ii) Movements in allowance for doubtful debts are as follows:

	Group	
	2010 RM	2009 RM
At beginning of the financial year	10,814,375	141,549
Allowance made during the financial year	4,513,793	10,672,826
Allowance during the financial year written back	(7,883)	-
	15,320,285	10,814,375

(iii) The foreign currency exposure profile is as follows:-

	Group	
	2010 RM	2009 RM
Singapore Dollar (SGD)	2,312,953	3,704,412

9. Other Receivables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other receivables	12,250	19,800	-	-
Deposits	9,833,400	10,286,200	-	-
Prepayments	115,004	67,134	12,050	-
	9,960,654	10,373,134	12,050	-

Included in the deposit of the Group are deposit for purchase of property, plant and equipment of RM9,589,978 (2009: RM9,589,978) represent 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 previous year to recover the deposits from the respective vendors.

NOTES TO THE FINANCIAL STATEMENTS

10. Amounts Owing by Subsidiary Companies

Amounts owing by subsidiary companies represents unsecured advances, interest free and with no fixed term of repayment.

11. Fixed Deposit with Licensed Banks

Included in fixed deposits of the Group is an amount of RM348,500 (2009: Nil) which have been pledged to licensed banks as security for bank guarantee.

The interest rate and maturities of deposits is at 2.50% (2009: 2.5%) per annum and 365 days (2009: 365 days) respectively.

The fixed deposit with licensed bank is held in trust under the name of a Director of the Group.

12. Non-Current Assets Held For Sales

At 1 July 2009

Reclassified from property, plant and equipment

	Group	
	2010 RM	2009 RM
	-	-
	920,300	-
	<hr/>	<hr/>
	920,300	-
	<hr/>	<hr/>

Assets classified under non-current assets held for sales are two piece of freehold land which subsequently being sold off as disclosed under Note 30(i) to the financial statements.

13. Share Capital

Ordinary shares of RM0.20 each

Authorised

Issued and fully paid

	Group/Company	
	2010 RM	2009 RM
	100,000,000	100,000,000
	<hr/>	<hr/>
	40,000,000	40,000,000
	<hr/>	<hr/>

14. Bank Borrowings

Unsecured

Term loan

Secured

Term loan

Revolving credit

Total bank borrowings

	Group	
	2010 RM	2009 RM
	35,000,000	35,000,000
	<hr/>	<hr/>
	12,107,203	8,417,630
	5,398,942	8,892,088
	<hr/>	<hr/>
	17,506,145	17,309,718
	<hr/>	<hr/>
	52,506,145	52,309,718
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

14. Bank Borrowings (cont'd)

	Group	
	2010 RM	2009 RM
Analysed as:		
Repayable within twelve months		
Secured		
Term loan	812,199	886,266
Revolving credit	1,000,000	8,892,088
	1,812,199	9,778,354
Repayable after twelve months		
Secured		
Term loan	11,295,004	7,531,364
Revolving credit	4,398,942	-
	15,693,946	7,531,364
Unsecured		
Term loan	35,000,000	35,000,000
	50,693,946	42,531,364
	52,506,145	52,309,718

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

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. Interest on the Primary CLO is fixed at 7.05% per annum and is payable every six months. During the year, the Group has defaulted in the payments of interest which amounted to RM3,116,486.

The tenor of the Primary CLO is for five (5) years which will mature on 10 October 2011.

The secured term loan is secured by the following:

- (a) Legal charges over certain landed properties of the 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 the subsidiaries company;
- (b) Corporate guarantee by the Company; and
- (c) Fixed and floating charges over all present and future assets of a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

14. Bank Borrowings (cont'd)

Maturities of bank borrowings are as follows:

	Group	
	2010	2009
	RM	RM
Within one year	1,812,199	9,778,354
Between one to two years	37,173,968	890,990
Between two to three years	2,295,815	35,964,942
Between three to four years	2,430,794	1,045,032
Between four to five years	2,978,775	1,131,769
More than five years	5,814,594	3,498,631
	52,506,145	52,309,718

Range of interest rates is as follows:

	Group	
	2010	2009
	%	%
Revolving credits	8.50 - 8.75	8.50 - 8.75
Term loans	7.05 - 8.30	4.30 - 7.75

15. Hire Purchase Payables

	Group	
	2010	2009
	RM	RM
Minimum hire purchase payment		
Payable within one year	704,447	801,138
Payable between one and five years	111,051	815,498
	815,498	1,616,636
Less : Future finance charges	(35,181)	(111,775)
	780,317	1,504,861
Analysed as:		
Repayable within twelve months	671,797	724,545
Repayable after twelve months	108,520	780,316
	780,317	1,504,861

The hire purchase payables bore interest at rates range from 2.30% to 3.90% (2009: 2.30% to 3.90%) per annum.

16. Trade Payables

The normal trade credit term granted to the Group ranges from 7 to 90 days (2009: 7 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

17. Other Payables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other payables	497,066	233,020	47,822	19,538
Deposit received	157,000	-	-	-
Accruals	3,894,892	1,348,155	42,123	24,501
	4,548,958	1,581,175	89,945	44,039

18. Revenue

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

19. Finance Costs

	Group	
	2010 RM	2009 RM
Interest expenses on:		
Bankers' acceptance	420,424	123,767
Trust receipt	-	4,573
Hire purchase	70,397	112,432
Term loans	696,023	645,782
Collateral loan obligations	2,620,420	2,588,306
	3,807,264	3,474,860

20. Loss before Taxation

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Auditors' remuneration				
- Current year	35,000	32,000	6,000	6,000
- Under provision in prior year	-	2,000	-	-
Allowance for doubtful debts	4,513,793	10,672,826	-	-
Directors' remuneration				
- fee	63,000	48,000	63,000	48,000
- salaries	307,414	552,000	285,414	420,000
- EPF	31,320	71,160	28,920	56,760
- other emoluments	1,025	122,860	922	122,240
Depreciation of property, plant and equipment	3,372,369	6,042,256	929	401
Incorporation fee	-	2,625	-	-
Impairment loss on investments in subsidiary companies	-	-	27,222,198	-
Loss on disposal of property, plant and equipment	3,667	59,033	-	-
Property, plant and equipment written off	-	75,378	-	-
Rental of factory	62,100	93,600	-	-
Rental of hostel	20,610	2,760	-	-
Allowance for doubtful debts no longer required	(7,883)	-	-	-
(Gain)/Loss on foreign exchange				
- Realised	(5,450)	(215,766)	-	-
- Unrealised	12,078	(151,025)	-	-

NOTES TO THE FINANCIAL STATEMENTS

21. Taxation

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Tax expense for the financial year:				
Under provision in prior years	8,103	43,570	8,103	203
Deferred tax:				
Relating to origination and reversal of temporary differences	(4,414,108)	3,117,000	-	-
	(4,406,005)	3,160,570	8,103	203

Current income tax is calculated at the statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year.

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

	2010 RM	2009 RM
Group		
Loss before taxation	(14,148,478)	(26,483,260)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	(3,537,120)	(6,620,815)
Income not subject to tax	(23,393)	(97,487)
Expenses not deductible for tax purposes	940,463	1,076,012
Deferred tax assets not recognised during the financial year	-	5,537,852
Reversal of deferred tax recognised during the financial year	-	2,978,000
Under provision of taxation in prior years	8,103	43,570
Reversal of deferred tax assets not recognised during the financial year	(1,794,058)	-
Permanent loss not recognised during the financial year	-	243,438
Tax expense for the financial year	(4,406,005)	3,160,570
Company		
Loss before taxation	(27,928,912)	(1,073,241)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	(6,982,228)	(268,310)
Expenses not deductible for tax purposes	6,982,228	46,414
Permanent loss not recognised during the financial year	-	221,896
Under provision of taxation in prior years	8,103	203
Tax expense for the financial year	8,103	203

The Group has unused tax losses, unutilised capital allowances and unutilised reinvestment allowances amounting to RM10,730,000, RM15,147,000 and RM26,498,000 (2009: RM5,908,000, RM8,416,000 and RM26,226,000) respectively available for carry forward to set-off against future taxable profits. The said amount however is subject to approval by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

22. Loss per Share

The loss per share has been calculated based on the consolidated net loss for the financial year attributable to the equity holders of the parent of RM9,742,472 (2009: RM29,643,830) and the weighted average number of ordinary shares in issue during the financial year of 200,000,000 (2009: 200,000,000).

23. Dividend

	Group/Company	
	2010	2009
	RM	RM
First and final tax-exempt dividend of RM0.01 on 20 million ordinary shares of RM0.20 each in respect of the financial year ended 30 June 2008	-	2,000,000

24. Staff Costs

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Staff costs (excluding Directors)	3,919,235	2,324,913	15,556	60,540

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and the Company amounting to RM96,757 and RM1,858 (2009 : RM186,118 and RM6,420) respectively.

25. Related Party Disclosures

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	2010	2009
	RM	RM
Company		
Subsidiary companies:		
Settlement of liabilities on behalf of subsidiary companies	147,426	132,462
Settlement of liabilities by the Company on behalf of subsidiary companies	-	50,538

These transactions have 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.

- (b) Information regarding outstanding balances arising from related party transactions as at 30 June 2010 is disclosed in Notes 10 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

25. Related Party Disclosures (cont'd)

(c) Information regarding compensation of key management personnel is as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	875,147	1,154,125	296,336	527,240
Defined contribution plan	66,871	123,656	28,920	56,760
	<u>942,018</u>	<u>1,277,781</u>	<u>325,256</u>	<u>584,000</u>

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including Director of the Company.

26. Segment Information

No segment information is presented as the Group operates predominantly in one business segment.

27. Commitments

Authorised and contracted for:
Acquisition of machinery

	Group	
	2010 RM	2009 RM
	-	2,620,000

28. Financial Instruments

(a) Financial risk management objectives and policies

The Group and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group and of the Company's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group and the Company operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Foreign currency exchange risk

The Group and the Company is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currencies. Foreign exchange exposure in transactional currencies other than functional currencies of the operations entities are kept to an acceptable level.

(c) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

28. Financial Instruments (cont'd)

(d) Credit risk

The Group and the Company's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via Group management reporting procedure and action will be taken for long outstanding debts.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

(e) Liquidity and cash flow risk

The Group and the Company 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 refinance.

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

(f) Fair values

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

(ii) The aggregate fair values of the other financial assets and liabilities carried on the balance sheet are as follows:

	2010		2009	
	Carrying amount RM	Fair Value RM	Carrying amount RM	Fair Value RM
Group				
Financial assets				
Unquoted investments	3,500,000	#	3,500,000	#
Financial liabilities				
Bank borrowings	50,693,946	44,165,480	42,531,364	39,957,080
Hire purchase payables	108,520	99,702	780,316	718,149

For investment in unquoted bonds, the Directors are of the view that estimate of fair value could not be made without incurring excessive costs and hence was not practical to determine such fair value with sufficient reliability. Therefore, such investment in the balance sheet is carried at cost less allowance for diminution in value based on Directors' assessment.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) The carrying amounts of cash and cash equivalents, trade and other receivables/payables and short term borrowings approximate fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair value of long term borrowings are estimated by discounting the expected future cash flows using the current interest rates for the liabilities with similar risk profiles. Based on the prevailing borrowing rates of similar borrowings with the same maturity profile obtainable by the Group and the Company, the carrying values of the long term borrowings approximate their fair values.
- (iii) It is not practical to estimate the fair values of intercompany balances as there are no fixed repayment terms between the parties involved and without having to incur excessive costs. However, the Company does not anticipate the carrying amounts recorded in the balance sheet to be significantly different from the values that would eventually be received or settled.

NOTES TO THE FINANCIAL STATEMENTS

29. Significant Events

During the financial year, the following significant events took place for the Company and its subsidiary companies:

- (i) On 10 February 2010, the Company has subscribed for 3 new ordinary shares of RM1 each representing 100% equity interest in Corporate Advisory And Re-Engineering Services Sdn. Bhd., a company incorporated in Malaysia for a purchase consideration of RM3.
- (ii) On 3 March 2010, the Company has subscribed for 2 new ordinary shares of RM1 each representing 67% equity interest in Arctic Ice (M) Sdn. Bhd., a company incorporated in Malaysia for a purchase consideration of RM2.

30. Subsequent Events

Subsequent to the year end, the following significant events took place for the Company and its subsidiary companies:

- (i) The Company had announced that Amshore Holdings Sdn. Bhd. ("Amshore"), a wholly-owned subsidiary company of Bio Osmo, had on 30 April 2010, entered into a conditional Sale and Purchase Agreement ("SPA") with Ong Kee Song, Ong Kian Huat, Ong Kian San and Ong Yong Xian to dispose of the 2 (two) pieces of land on an as-is-where-is basis to the following persons at the total disposal price of Ringgit Malaysia One Million Five Hundred and Seventy Thousand (RM1,570,000-00) only upon the terms and conditions agreed by all parties as stipulated in the SPA.

This transaction is not taken into account as the condition is not been fulfilled as at the end of the financial year under review.

- (ii) On 19 July 2010 the Company had entered into a Distribution and Manufacturing Agreement with Arctic Ice Asia Ltd ("AIAL") agreeing that this agreement shall be held in good standing

31. Material Litigation

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

- (i) Morning Valley Sdn. Bhd. ("MVSB")

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

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

- (ii) Amshore Holdings Sdn. Bhd. ("Amshore")

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

The said suit filed by Amshore against Century Machinery is still on-going.

The Group has appointed solicitors to advice and defend these suits filed against the Group

32. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 30 June 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 28 October 2010.

List of Properties as at 30 June 2010

Location	Description	Existing Use	Tenure / Expiry of Lease	Approx age of Building	Unit/Acreage	Major encumbrances	Net book value as at 30/06/2010 (RM'000)
Amshore New head office, factory,warehouse 1A,1A-1,1A-2, Jalan Kampung Sungai Suloh, Mukim Minyak Beku, 83000 Batu Pahat, Johor Darul Takzim.	Medium industrial building	Processing & manufacturing full-automated bottled RO water	Freehold	Less than 4 years	256,220 sq ft / 84,550 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No.1502/2009	13,490
H.S. (M) 1476 PTD 2138, Mukim Minyak Beku, Daerah Batu Pahat, Johor.							
Amshore Old factory No.1,Jalan Budi Tengah, Taman Perindustrian Wawasan, Mukim Minyak Beku, 83000 Batu Pahat, Johor Darul Takzim.	Light industrial building	Processing & manufacturing semi-automated bottled RO water	Freehold	Less than 14 years	13,455 sq ft / 5,400 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No.19885/2009	1,070
Geran 119490 Lot 8351, Mukim Minyak Beku, Daerah Batu Pahat, Johor.							
Amshore No.3,Jalan Budi Tengah, Taman Perindustrian Wawasan, Mukim Minyak Beku, 83000 Batu Pahat, Johor Darul Takzim.	Light industrial building	Warehouse	Freehold	Less than 14 years	20,139 sq ft / 4,800 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No. 19885/2009	337
Geran 119491 Lot 8352, Mukim Minyak Beku, Daerah Batu Pahat, Johor.							
Amshore H.S. (M) 1293 MLO 8855, Mukim Tanjong Semborong, Daerah Baatu Pahat,Johor.	Industrial Land	Vacant Land	Freehold	Not applicable	2.4281 hectares	Nil	501*
Amshore GM 2656 Lot No.10643, Mukim Tanjong Semborong, Daerah Baatu Pahat,Johor.	Industrial Land	Vacant Land	Freehold	Not applicable	2.91 hectares	Nil	419*

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.

There have been no requirement to revalue the above landed properties during the financial year ended as the book value reflects the existing market value of the properties.

* Reclassified to non-current assets held for sales.



Analysis of shareholdings as at 21 October 2010

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

ANALYSIS OF SHAREHOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
7	Less than 100	378	0.00
284	100 – 1,000	240,600	0.12
850	1,001 - 10,000	4,683,500	2.34
333	10,001 to 100,000	12,554,950	6.28
96	100,001 to less than 5% of issued shares	90,953,948	45.48
3	5% and above of issued shares	91,566,624	45.78
1,573		200,000,000	100.00

THIRTY LARGEST SHAREHOLDERS

Name of shareholder	Number of shares	Percentage of shares
1. Perbadanan Nasional Berhad	41,566,624	20.78
2. True Profit Holdings Limited	25,000,000	12.50
3. Sure Talent Holdings Limited	25,000,000	12.50
4. OSK Nominees (Tempatan) Sdn Berhad DBS Vickers Secs (S) Pte Ltd for Teo Han Tong	9,980,000	4.99
5. Teo Soon Hui	9,885,300	4.94
6. Trade Eagle Investments Limited	9,849,200	4.92
7. Teo Soon Kee	9,450,000	4.72
8. Fortina Investments Limited	6,830,600	3.42
9. Lembaga Tabung Haji	6,518,000	3.26
10. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hamzah Bin Mohd Salleh	3,755,317	1.88
11. Chang, Chun-Pei	2,055,100	1.03
12. Ong Teck Wan	1,960,000	0.98
13. Tan Teck Boo	1,930,300	0.97

Analysis of shareholdings as at 21 October 2010

THIRTY LARGEST SHAREHOLDERS (CONT'D)

Name of shareholder	Number of shares	Percentage of shares
14. Affin Nominees (Tempatan) Sdn Bhd Core Capital Management Sdn Bhd for Samudra Jejaka Sdn Bhd	1,500,000	0.75
15. Chan Lee Yuen	1,390,000	0.70
16. Tan Ah Piew	1,150,000	0.57
17. Cynthia Mary Lim Kim Ean	1,100,000	0.55
18. Tan Choi Khow	1,090,000	0.55
19. Ng Bok Wah	1,000,000	0.50
20. Rescom International Limited	1,000,000	0.50
21. Chai Mooi Chong	857,000	0.43
22. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kuo Yin Ho	761,400	0.38
23. Goh Sin Tien	700,000	0.35
24. Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Boh Huat	653,000	0.33
25. Yong Seit Leng	620,000	0.31
26. OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Tham Kok Hoi	620,000	0.31
27. Chew Mee Yan	563,300	0.28
28. Tan Ah Ba @ Tan Boon Leng	550,000	0.28
29. Fong Chan @ Thong Fong Chan	550,000	0.28
30. Yeoh Keat Hoe	500,000	0.25

Analysis of shareholdings as at 21 October 2010

SUBSTANTIAL SHAREHOLDERS

According to the Register of Depository as at 21 October 2010, the following are the substantial shareholders of the Company: -

Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares
1. Perbadanan Nasional Berhad	41,566,624	20.78	0	0.00
2. Sure Talent Holdings Limited	25,000,000	12.50	0	0.00
3. True Profit Holdings Limited	25,000,000	12.50	0	0.00
4. Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam	0	0.00	50,000,000*	25.00

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

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 21 OCTOBER 2010

No. Director	(DIRECT INTEREST)		(DEEMED INTEREST)	
	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares
1. DATUK IDRIS BIN HAJI HASHIM	0	0.00	0	0.00
2. DATUK SERI KRISHNA KUMAR A/L DATO' SIVASUBRAMANIAM	0	0.00	50,000,000*	25.00
3. DATO' HAMZAH BIN MOHD SALLEH	3,765,317	1.88	0	0.00
4. WONG KOK SEONG	10,000	0.01	0	0.00
5. AUZIR BIN MOHD YAACOB	10,000	0.01	0	0.00

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of Bio Osmo Berhad will be held at KKLUB Berhad, Jalan Melawati 3, Taman Melawati, 53100 Kuala Lumpur, Malaysia on Monday, 30 November 2010 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 2010 together with the Directors' and Auditors' Report thereon. **RESOLUTION 1**
2. To approve the payment of Directors' Remuneration of RM378,256 for the financial year ended 30 June 2010. **RESOLUTION 2**
3. To re-elect the following Directors who retire during the year in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election: -
 - Dato' Hamzah bin Mohd Salleh - Article 127 **RESOLUTION 3**
 - Datuk Idris bin Haji Hashim - Article 132 **RESOLUTION 4**
4. To appoint Auditors and to authorise the Directors to determine their remuneration.

Notice of Nomination pursuant of Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A", has been received by the Company for the nomination of Messrs Morison Anuarul Azizan Chew & Co., who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

"THAT Messrs Morison Anuarul Azizan Chew & Co., be and are hereby appointed as auditors of the Company in place of the retiring auditors, Messrs UHY to hold office until the conclusion of the next Annual General Meeting at remuneration to be determined by the Directors."

RESOLUTION 5

SPECIAL BUSINESS

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

ORDINARY RESOLUTION

AUTHORITY TO ALLOT SHARES - SECTION 132D

RESOLUTION 6

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

SPECIAL RESOLUTION

AMENDMENTS TO ARTICLES OF ASSOCIATION

RESOLUTION 7

"THAT the proposed alteration, modifications, amendments or deletion to the Articles of Association of the Company as contained in "Annexure B" be hereby approved."

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



Notice of Annual General Meeting

BY ORDER OF THE BOARD

LEONG SIEW FOONG (f)

MAICSA NO. 7007572

Company Secretary

Johor Bahru

Date: 4 November 2010

NOTES: -

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation under its common seal or the hand of its attorney.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Symphony Corporatehouse Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

EXPLANATORY NOTES ON ORDINARY RESOLUTION: -

(i) Ordinary Resolution

The Ordinary Resolution No. 6, 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.

(ii) Special Resolution

This Resolution is to amend the Company's Article of Association in line with the amendments in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the current secretarial practices.

Statement Accompanying Notice of Annual General Meeting

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

DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

Datuk Idris Bin Haji Hashim, Malaysia citizen, aged 58, is an **EXECUTIVE CHAIRMAN** of the Company. He became a member of the Board Directors on 11 January 2010.

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

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



Annexure “A”

ISKANDAR BASHA BIN ABDUL KADIR
125 Kiara View
Jalan Datuk Sulaiman 6
Taman Tun Dr Ismail
60000 Kuala Lumpur

Date: 1 November 2010

The Board of Directors
BIO OSMO BERHAD
Suite 6.1A, Level 6,
Menara Pelangi,
Jalan Kuning,
Taman Pelangi,
80400 Johor Bahru,
Johor.

Dear Sir/Madam,

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

I, ISKANDAR BASHA BIN ABDUL KADIR (NRIC No. 591213-08-5763) as a shareholder of Bio Osmo Berhad, wish to propose for consideration at its forthcoming Annual General Meeting that Messrs Morison Anuarul Azizan Chew & Co be nominated for appointment as auditors of the Company in place of the retiring auditors, Messrs UHY, at a remuneration to be fixed by the Board of Directors.

Thank you.

Yours faithfully,



.....
ISKANDAR BASHA BIN ABDUL KADIR

cc. Messrs Morison Anuarul Azizan Chew & Co

Annexure “B”

Article 2 of the Articles

Existing Interpretation		New Interpretation	
Words	Meanings	Words	Meanings
(b) 'Approved Market Place':	Means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No. 2) Order 1998	Deleted	
-	-	(v) 'security/ securities':	Shares of the Company and wherever applicable, includes any debt securities, as defined under the Central Depositories Act, issued by the Company.
-	-	(e) 'CMSA':	means the Capital Markets and Services Act 2007.
To re-arrange the alphabetical orders of the existing definition.			
(e) 'Central Depository':	Bursa Malaysia Central Depository (formerly known as Malaysian Central Depository Sdn Bhd)	(f) 'Depository':	Bursa Malaysia Depository Sdn Bhd
(h) 'Depositor':	A holder of Central Depository Securities Account	(i) 'Depositor':	A holder of a securities account established by the Depository
(j) 'The Directors':	The directors of the Company or their alternates or the directors of the Company or their alternates present at a duly convened meeting of directors at which a quorum is present (as the context requires) whether holding executive position or otherwise	(k) 'The Directors':	has the meaning given in section 2(1) of the CMSA and includes in the case of an issuer of structured warrants or a listed issuer which is a collective investment scheme, a director of the issuer of the structured warrants or a director of a management company of the collective investment scheme respectively.
(l) 'Member':	Any person/persons for the time being holding shares in the company and whose names appear in the Register of Members (except the Bursa Malaysia Central Depository Nominees Sdn Bhd), including depositors whose names appear on the Record of Depositors	(m) 'Member':	Any person/persons for the time being holding shares in the company and whose names appear in the Register of Members (except the Bursa Malaysia Depository Nominees Sdn Bhd), including a depositor who will be treated as if he were a member pursuant to section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Depository in its capacity as a bare trustee.



Annexure “B”

Article 2 of the Articles (cont'd)

Existing Interpretation		New Interpretation	
Words	Meanings	Words	Meanings
(z) 'Record of Depositors' :	A record provided by Central Depository to the Company under Chapter 24.0 of the Rules	(q) 'Record of Depositors' :	A record provided by Depository to the Company under Chapter 24.0 of the Rules
(za) Listing Requirements	The listing requirements of Bursa Malaysia as may be amended from time to time	(zb) Listing Requirements	Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendments to the Listing Requirements that may be made from time to time

Article No.	Existing Provision	New Provision
13 New issues of securities	All new issues of shares for which listing is sought shall be made by way of crediting the securities accounts of the allottees or entitled persons with such shares save and except where the Company is specifically exempted from complying with Section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this Article. For this purpose, the Company must notify the Central Depository of the names of the allottees or entitled persons and all such particulars required by the Central Depository to enable the Central Depository to make the appropriate entries in the securities accounts of such allottees or entitled persons. Notwithstanding these Articles, the Company shall comply with the provisions of the Central Depositories Act and the Rules in all matters relating to the prescribed securities.	All new issues of shares for which listing is sought shall be made by way of crediting the securities accounts of the allottees or entitled persons with such shares save and except where the Company is specifically exempted from complying with Section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this Article. For this purpose, the Company must notify the Depository of the names of the allottees or entitled persons and all such particulars required by the Depository to enable the Depository to make the appropriate entries in the securities accounts of such allottees or entitled persons. Notwithstanding these Articles, the Company shall comply with the provisions of the Central Depositories Act and the Rules in all matters relating to the prescribed securities.
16 b) Restrictions on issue	such Director holds office in an executive capacity or if he does not hold such office, participates in an issue of shares pursuant to an offer or issue of shares to the public;	Deleted
19 Waiver for issues	Notwithstanding Article 18, (but subject to the Act), the Company may apply to Bursa Malaysia for a waiver from convening an extraordinary general meeting to obtain shareholders' approval for further issue or issues of shares (other than bonus or rights issues) where: 1) the aggregate issues of shares (other than bonus and rights issues and other issues of shares which have been specifically approved by the shareholders in an extraordinary general meeting) in any one financial year in which such further issue or issues are made do not exceed 10% (or such higher percentage as Bursa Malaysia may from time to time allow either in respect of a particular financial year, generally or otherwise) of the Company's issued share capital; and	Notwithstanding Article 18, (but subject to the Act), the Company may apply to Bursa Malaysia for a waiver from convening an extraordinary general meeting to obtain shareholders' approval for further issue or issues of shares (other than bonus or rights issues) where: 1) the aggregate issues of shares (other than bonus and rights issues and other issues of shares which have been specifically approved by the shareholders in an extraordinary general meeting) in any one financial year in which such further issue or issues are made do not exceed 10% or such higher percentage as Bursa Malaysia may from time to time allow either in respect of a particular financial year, generally or otherwise (excluding treasury shares) of the Company's issued share capital; and

Annexure “B”

Article No.	Existing Provision	New Provision
20A Share issued for purposes of raising money for the construction of works and building	New Provision	Where any shares are issued for the purpose of raising money to defray the expense of the construction of any works or building, or the provision for any plant which cannot be made profitable for a lengthened period the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and the restrictions mentioned in section 69 of the Act and may charge the same to capital as part of the cost of construction the works buildings or plant.
27 Rights of preference shares	New Provision	(3) A holder of a preference share must be entitled to the same rights as a holder of an ordinary share in relation to receiving notices, reports and audited financial statements, and attending meetings.
29 Shares Certificate	Every share certificate shall be sealed in accordance with these Articles and Section 100 of the Act and bear the signature reproduced by mechanical / electronic and by any other means in accordance with these Articles and shall specify the shares to which it relates and the amount paid thereon. The share certificate shall also comply with the requirements of these Articles, such Section and the applicable Listing Requirements of Bursa Malaysia and (where applicable) the Central Depositories Act and the Rules. Subject to the provision of the Central Depositories Act and the Rules, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity being given by the shareholders, transferee, person entitled, purchaser member company of Bursa Malaysia or on its behalf and on delivery of the old certificate and in any case on payment of such sum not exceeding RM3.00 only per certificate or such other sum as may from time to time be permitted by Bursa Malaysia or as the Directors may determine including the amount of the proper duty with which each certificate is chargeable under any law for the time being in force relating to stamps. In case of destruction, loss or theft of a share certificate, a shareholder or person entitled to which such renewed certificates is given shall also bear the loss and pay the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss.	Every share certificate shall be sealed in accordance with these Articles and Section 100 of the Act and bear the signature reproduced by mechanical / electronic and by any other means in accordance with these Articles and shall specify the shares to which it relates and the amount paid thereon. The share certificate shall also comply with the requirements of these Articles, such Section and the applicable Listing Requirements of Bursa Malaysia and (where applicable) the Central Depositories Act and the Rules.



Annexure “B”

Article No.	Existing Provision	New Provision
29A Registration of title	New Provision	There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any securities, such nominal fee, as the Directors may from time to time require or prescribe.
45. Directors' right to decline registration	The Directors may decline to register any instrument of transfer of share which are not fully paid (whether these are quoted or otherwise) to a person of whom they do not approve.	Deleted
46 Central Depository's right to refuse transfer	The Central Depository may, in its absolute discretion to register any transfer that does not comply with the Central Depositories Act and the Rules.	The Depository may, in its absolute discretion to register any transfer that does not comply with the Central Depositories Act and the Rules.
48 Closure of register	<p>The Register shall be closed for such periods as the Directors may from time to time determine but such register shall not be closed for more than 30 days in any year. The Company shall before it closes such register:</p> <ol style="list-style-type: none"> (1) give notice of such intended closure (in the case of the Register) in accordance with Section 160 of the Act; (2) give notice of such intended closure to Bursa Malaysia at least 12 Market Days before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration; (3) publish in a daily newspaper circulating in Malaysia, a notice of such intended closure including the information to be included in the notice referred to in Article 48(2); <p>At least three (3) clear market days prior notice shall be given to the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors.</p>	<p>The Register of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, provided always that it shall not be closed for more than thirty (30) days in any year. The Company shall give at least ten (10) Market Days or such number of days as may be prescribed by the Exchange of its intention to close the Register and such notice shall be published in a daily newspaper circulated in Malaysia and shall also be given to the Exchange. The said notice shall state the period and purpose or purposes for which the register is being closed. In relation to the closure, the Company shall give written notice, in accordance with the Rules, to the Depository to prepare the appropriate Record of Depositors.</p>

Annexure “B”

Article No.	Existing Provision	New Provision
54 Transmission of Securities from Foreign Register	<p>Transmission of securities from Foreign Register</p> <p>(1) Where:-</p> <p>(a) the securities of the Company are listed on an Approved Market Place; and</p> <p>(b) the Company is exempted from compliance with section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (“Foreign Register”), to the register of holders maintained by the registrar of the Company in Malaysia (“Malaysian Register”) subject to the following conditions:</p> <p>(i) there shall be no change in the ownership of such securities; and</p> <p>(ii) the transmission shall be executed by causing such securities to be credited directly into the Securities Account of such holder.</p> <p>(2) For the avoidance of doubt, no Company which fulfils the requirements of paragraphs (a) and (b) of Article 54 (1) shall allow any transmission of securities from the Malaysian Register into the Foreign Register.</p>	<p>Transmission of securities</p> <p>(1) Where:-</p> <p>(a) the securities of the Company are listed on another stock exchange; and</p> <p>(b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of Depository in respect of such securities,</p> <p>the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.</p>
77 Record of Depositors	<p>In accordance with the Rules, the Company shall request the Central Depository in writing to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the Central Depository in writing in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be less than three (3) clear Market Days before the general meeting (“General Meeting Record of Depositors”). Subject to the Regulations and notwithstanding any provisions in the Act, a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and to vote thereat unless his name appears in the General Meeting Record of Depositors.</p>	<p>In accordance with the Rules, the Company shall request the Depository in writing to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the Depository in writing in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be less than three (3) Market Days before the General Meeting (“General Meeting Record of Depositors”). Subject to the Regulations and notwithstanding any provisions in the Act, a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and to vote thereat unless his name appears in the General Meeting Record of Depositors.</p>



Annexure “B”

Article No.	Existing Provision	New Provision
78 Specification on notice	The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' or 21 days' notice in the case where special resolution is proposed or where it is the annual general, of every such meeting shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the company is listed.	The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' or 21 days' notice in the case where special resolution is proposed or where it is the annual general, of every such meeting must be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the company is listed.
79 Manner of notice	Subject to these Articles and to any restrictions imposed on any shares, every notice calling a general meeting shall be given by advertisement in 1 daily newspaper in the national or English language and in writing to Bursa Malaysia, all the Members, to all persons entitled to a share (who have produced such evidence as may from time to time be required by the Central Depository in accordance with the Rules or as the Central Depository may determine) in consequence of the death, bankruptcy or mental disorder of a Member or by operation of law and to the Directors and auditors of the Company. A notice by advertisement under this Article shall be deemed given on the day on which the advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper through which such advertisement is made.	Subject to these Articles and to any restrictions imposed on any shares, every notice calling a general meeting must be given by advertisement in 1 daily newspaper in the national or English language and in writing to Bursa Malaysia, all the Members, to all persons entitled to a share (who have produced such evidence as may from time to time be required by the Depository in accordance with the Rules or as the Depository may determine) in consequence of the death, bankruptcy or mental disorder of a Member or by operation of law and to the Directors and auditors of the Company. A notice by advertisement under this Article shall be deemed given on the day on which the advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper through which such advertisement is made.
82 Special business	All business that is transacted at : (1) an extraordinary general meeting; (2) an annual general meeting (except declaring a dividend, considering the accounts, balance sheets, the report of the Directors and auditors, the election of Directors in place of those retiring, and the appointment and fixing of the remuneration of the Directors and auditors), shall be special.	All business that is transacted at : (1) an extraordinary general meeting; (2) an annual general meeting (except declaring a dividend, the election of Directors in place of those retiring, and the appointment and fixing of the remuneration of the Directors and auditors), shall be special.

Annexure “B”

Article No.	Existing Provision	New Provision
122 Disposal of substantial portion of undertaking etc.	Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to ratification by shareholders in general meeting.	The Directors shall not without the prior approval in general meeting:- <ul style="list-style-type: none"> (a) carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's undertaking or property. (b) exercise any power of the Company to issue shares unless otherwise permitted under the Act. (c) subject to Section 132E of the Act, carry into effect or enter into any arrangement or transaction with the Company or its holding Company to acquire from or dispose to such a director or person connected with such a Director any shares or non-cash assets of the requisite value.
129 Reappointment of vacancy	If the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy, the retiring director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.	Deleted
130 Notice of candidature	No person, not being a retiring Director, shall be eligible for election to the office of Director at any General Meeting unless a member intending to propose him for election has, at least 11 clear days before the meeting, left at The Office a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him for election, 9 clear days' notice shall be necessary, and notice of each and every candidature for election to the board of Directors shall be served on the Members at least 7 days prior to the meeting at which the election is to take place.	No person, not being a retiring Director, shall be eligible for election to the office of Director at any General Meeting unless a member intending to propose him for election has, at least 11 clear days before the meeting, left at The Office a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him for election, 9 clear days' notice shall be necessary, and notice of each and every candidature for election to the board of Directors shall be served on the Members at least 7 days before to the meeting at which the election is to take place.

Annexure “B”

Article No.	Existing Provision	New Provision
138 Share schemes	<p>The Directors may establish, maintain and give effect to any scheme approved by the Company in general meeting for the allotment of or the grant of options to subscribe for shares of the Company to any Directors (who hold any executive office or employment with the Company), officers or employees of :</p> <p>(1) the company; or</p> <p>(2) any body corporate which is or has been a Subsidiary of the Company,</p> <p>and may exercise all the powers given to them by such scheme (including (without limitation) any power to alter or add to the provisions of such scheme and these Articles shall be deemed to be modified as far as may be necessary to give effect to such scheme for the time being in force in respect of any share or shares for the time being in issue or under option subject to such scheme.</p>	<p>The Directors may establish, maintain and give effect to any scheme approved by the Company in general meeting for the allotment of or the grant of options to subscribe for shares of the Company to any Directors, officers or employees of :</p> <p>(1) the company; or</p> <p>(2) any body corporate which is or has been a Subsidiary of the Company,</p> <p>and may exercise all the powers given to them by such scheme (including (without limitation) any power to alter or add to the provisions of such scheme) and these Articles shall be deemed to be modified as far as may be necessary to give effect to such scheme for the time being in force in respect of any share or shares for the time being in issue or under option subject to such scheme.</p>
147A Proceedings in Case of Vacancies	<p>The remaining Directors may continue to act notwithstanding any vacancies in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to this Articles, the remaining Directors may, except in an emergency, act only for the purpose of the increasing number of Directors to such minimum number, or to summon a general meeting.</p>	Deleted
148 Meetings by telephone, videophone etc.	<p>Directors or members of a committee of Directors (as the case may be) may participate in a meeting of Directors or a committee of Directors (as the case may be) by means of conference telephone, conference videophone or any similar communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.</p>	<p>Notice of any meeting of the Directors or members of a committee of Directors (as the case may be) may be given by telephone or facsimile and the contemporaneous linking together by telephone or such other electronic communication media of a number of the Directors being not less than the quorum shall be deemed to constitute a meeting of the Directors or members of a committee of Directors wherever in the world they are, as long as:</p> <p>(i) the quorum of Directors or members of a committee of Directors is met;</p> <p>(ii) at the commencement of the meeting each Director or members of a committee of Directors acknowledges the presence thereof to all the other Directors taking part and such participation shall be deemed to be presence in person;</p>

Annexure “B”

Article No.	Existing Provision	New Provision
[con't] 148 Meetings by telephone, videophone etc.		<ul style="list-style-type: none"> <li data-bbox="959 344 1461 483">(iii) each of the Directors or members of a committee of Directors taking part is able to be heard and hear each of them subject as hereinafter mentioned throughout the meeting; <li data-bbox="959 517 1461 958">(iv) the Directors or members of a committee of Directors 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 Directors or members of a committee of Directors during the disconnection and that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned; <li data-bbox="959 992 1461 1070">(v) all information and documents are made equally available to all participants prior to or at/during the meeting; and <li data-bbox="959 1104 1461 1238">(vi) a minutes of the proceedings shall be sufficient evidence thereof and of the observance of all necessary formalities if certified by both the Chairman and the Secretary of the Company.
176 Copy of reports to Members	<p>A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) shall be sent (not later than 6 Months after the close of the financial year and at least 21 days before the general meeting at which they are to be laid) to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed 4 months. The required number of copies of each of these documents shall at the same time be sent to Bursa Malaysia.</p>	<p>A copy of every audited financial statements which is to be laid before a General Meeting of the Company (including every document required by law to be annexed thereto) together with a copy of every report of the Auditors relating thereto and of the Directors' report, in printed form or in CD-ROM form or in such other form of electronic media, shall not less than twenty-one (21) days before the date of the meeting be sent to every Member of, and every holder of debentures of, the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles; provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware of, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the office. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a Member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) market days from the date of receipt of the Member's request. The required number of copies of each of these documents shall at the same time be sent to Bursa Malaysia.</p>



Annexure “B”

Article No.	Existing Provision	New Provision
192 Liquidators' commission or fee	On the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it has been approved by the shareholders. The amount of such payment shall be notified to all shareholders at least 7 days prior to the meeting at which the commission or fee is to be considered.	On the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been approved by the shareholders. The amount of such payment shall be notified to all shareholders at least 7 days before the meeting at which the commission or fee is to be considered.
197 Articles of Subsidiaries	The Articles of Association of each of the subsidiaries of the Company shall contain the provisions or requirements as set out in Paragraph 7.29 and 7.31 of the Listing Requirements and such other further additional provisions or requirements as may from time to time be prescribed by Bursa Malaysia.	Deleted

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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 **Fourth Annual General Meeting** of the Company to be held at **KKLUB Berhad, Jalan Melawati 3, Taman Melawati, 53100 Kuala Lumpur, Malaysia** on Monday, 30 November 2010 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 receive the Audited Financial Statements for the year ended 30 June 2010 together with the Reports of the Directors and Auditors.	1		
To approve the payment of Directors' Remuneration of RM378,256 for the financial year ended 30 June 2010.	2		
To re-elect the following Directors retiring according to the Company's Articles of Association: - - Dato' Hamzah bin Mohd Salleh – Article 127 - Datuk Idris bin Haji Hashim – Article 132	3 4		
To appoint Messrs Morison Anuarul Azizan Chew & Co. as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration.	5		
To authorise the allotment of shares pursuant to Section 132D.	6		
To approve the amendments to the Articles of Association	7		

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

Signature of Member(s)

As witness my hand this _____ day of _____ 2010

NOTES: -

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation under its common seal or the hand of its attorney.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Symphony Corporatehouse Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

AFFIX
STAMP

The Company Secretary

BIO OSMO BERHAD (740838-A)

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

2ND FOLD HERE

1ST FOLD HERE
