

BIO OSMO BERHAD (740838-A)
No. 1A, Jalan Kampung Sungai Suloh,
Mukim Minyak Beku,
83000 Batu Pahat,
Johor Darul Takzim, Malaysia.
T: 607 428 5300
F: 607 428 5303

www.bioosmobhd.com

BIO OSMO BERHAD (740838-A)

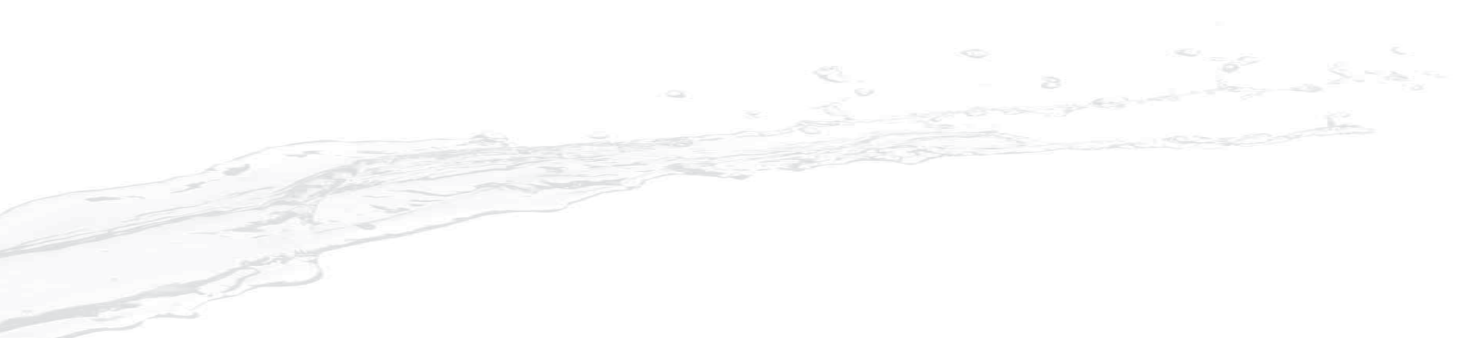
ANNUAL REPORT 2009



ANNUAL REPORT 2009

C O N T E N T S

2	Corporate Information
3	Group Structure
4	Board of Directors' Profile
6	Chairman's Statement
8	Statement on Corporate Governance
15	Audit Committee Report
19	Statement on Internal Control
21	Reports and Financial Statements
58	List of Properties
59	Analysis of Shareholdings
62	Notice of Annual General Meeting
64	Statement Accompanying Notice of Annual General Meeting
Enclosed	Form of Proxy



Corporate Information

BOARD OF DIRECTORS

Dato' Hamzah Bin Mohd Salleh

Independent Non-Executive Chairman

Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam

Executive Director

Mr. Wong Kok Seong

Independent Non-Executive Director

Encik Auzir bin Mohd Yaacob

Non-Independent Non Executive Director

AUDIT COMMITTEE

Chairman

Mr Wong Kok Seong

Member

Dato' Hamzah bin Mohd Salleh

Encik Auzir bin Mohd Yaacob

AUDITOR

UHY Diong (AF 1411)

Suite 11.05, Level 11,
The Gardens South Tower,
Mid Valley City,

Lingkaran Syed Putra,
59200 Kuala Lumpur.

Tel No.: (603) – 2279 3088

Fax No.: (603) – 2279 3099

NOMINATION COMMITTEE

Chairman

Dato' Hamzah bin Mohd Salleh

Member

Mr Wong Kok Seong

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)

Level 26, Menara Multi-Purpose,
Capital Square,

8 Jalan Munshi Abdullah,
50100 Kuala Lumpur.

Tel No.: (603) - 2721 2222

Fax No.: (603) - 2721 2530

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 7007572

STOCK EXCHANGE LISTING

Main Market

Bursa Malaysia Securities Berhad

REGISTERED OFFICE

Suite 6.1A, Level 6,

Menara Pelangi,

Jalan Kuning, Taman Pelangi,

80400 Johor Bahru,

Johor Darul Takzim.

Tel No.: (607) - 332 3536

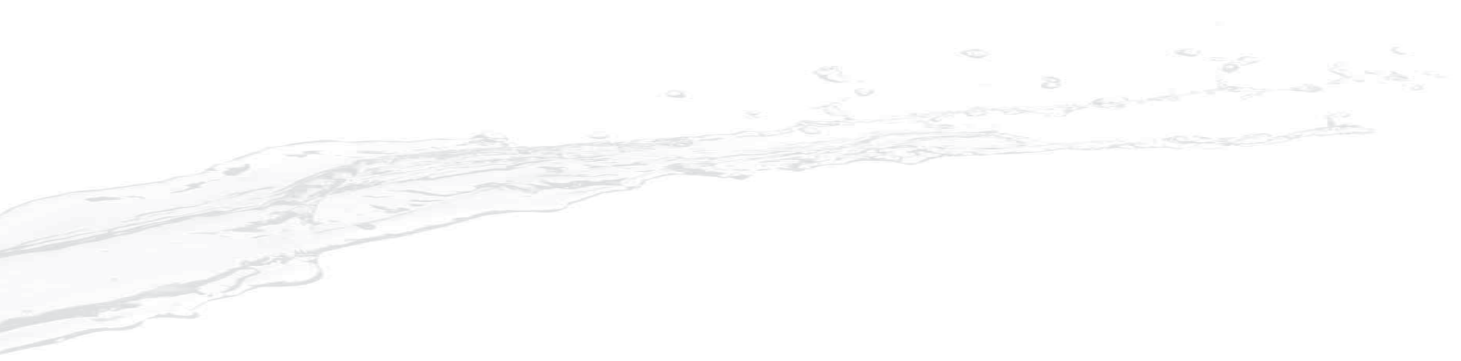
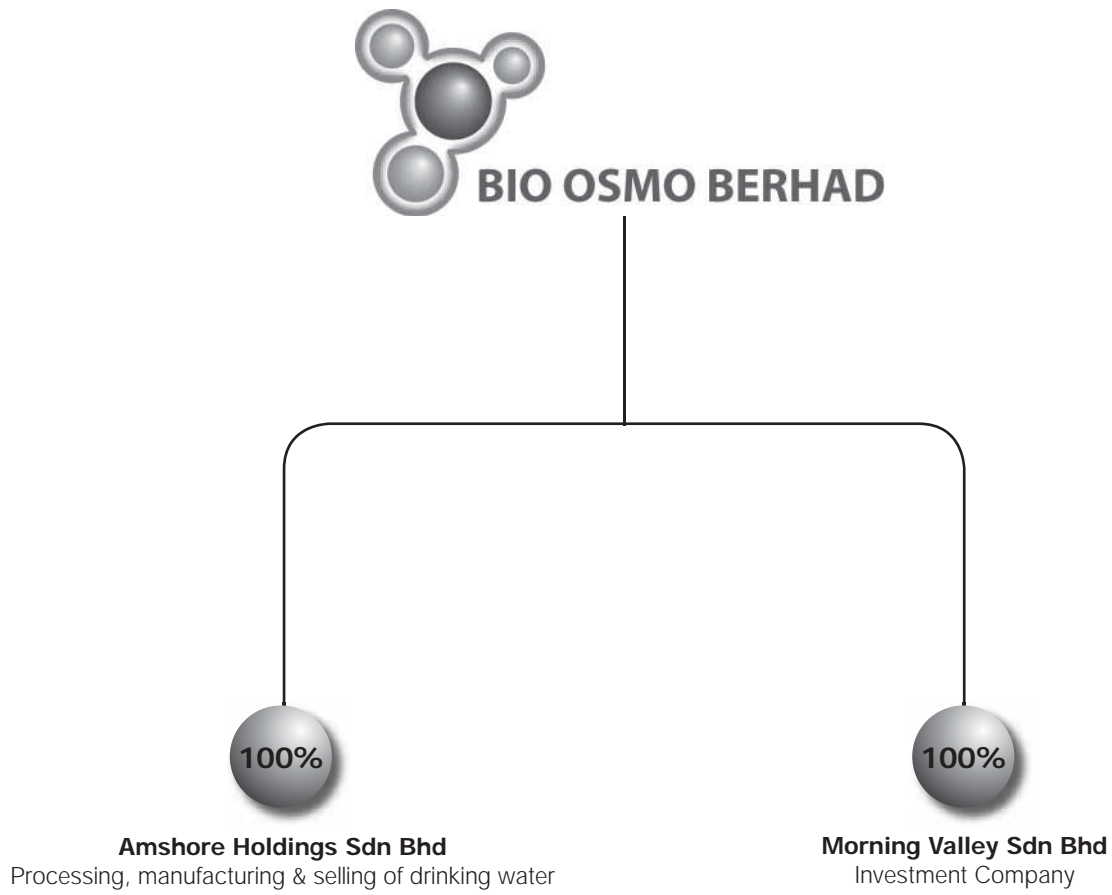
Fax No.: (607) - 332 4536

WEBSITE

www.bioosmobhd.com



Group Structure



Board of Directors' Profile



Dato' Hamzah bin Mohd Salleh

Malaysian, aged 61

Independent Non Executive Chairman

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

Dato' Hamzah bin Mohd Salleh was appointed to the Board of Bio Osmo on 16 July 2007. He was subsequently appointed as Chairman of Bio Osmo Group on 14 September 2009. He graduated with a Diploma in Management from the Malaysia Institute of Management in 1980 and obtained a Masters Degree in Business Administration from the University of Bath, United Kingdom in 1989.

He was an Audit Assistant with Price Waterhouse & Co. (now known as PricewaterhouseCoopers) from 1969 to 1975 and worked for 5 years as Finance and Administration Manager in Pillar Naco Malaysia Sdn Bhd, which deals with architectural metal fabrication. From 1980 to 1993, he held various senior management positions in Pemas Sime Darby Group and the Sime Darby Group of companies. Presently, he is the Chief Executive Officer of Spanco Sdn Bhd, a fleet management specialist. He also holds directorship in various listed companies as listed below:-

- PDZ Holdings Berhad
 - Non Executive Director (Independent)
- Furniweb Industrial Products Bhd
 - Non Executive Director (Independent)
 - Audit Committee member
- Focus Dynamics Technologies Bhd
 - Non Executive Chairman (Independent) (Resigned on 28 October 2009)
 - Audit Committee member
 - Chairman – Nomination & Remuneration Committee

Dato' Hamzah has attended all of the five (5) Board Meetings held during the financial year ended 30 June 2009. 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 offence within the past 10 years.



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

Malaysian, aged 39

Executive Director

Datuk Seri Krishna Kumar, J.P was appointed to the Board of Bio Osmo on 20 August 2009 as a Non Independent Non Executive Director. He was subsequently redesignated as Executive Director on 28 August 2009.

Datuk Seri is an advocate and solicitor by profession. He graduated from University College of Wales, Aberystwyth, United Kingdom. After graduating with an honours degree, Datuk Seri started his professional career as a hotelier and thereafter started his career as an advocate and solicitor with Sri Ram & Co before setting up his own practice under the name and style of M/S Krish Maniam & Co, Advocates and Solicitors in 1996.

Datuk Seri was the former Executive Director of Kuantan Flour Mills Berhad and other companies in Malaysia and Overseas. Datuk Seri 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 offence within the past 10 years.

Board of Directors' Profile



Mr Wong Kok Seong

Malaysian, aged 40

Independent Non Executive Director

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

Mr Wong was appointed to the Board of Bio Osmo on 16 July 2007. He is a Chartered Accountant and holds an MBA from the 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, he has gained extensive experience with a medium sized United Kingdom accounting firm, Appleby & Wood, where he joined as an audit junior in 1993 and was made a Partner from 1999 to 2005. His experience extends to multinational companies where he acted as the Finance Director for a few of the companies.

During his tenure as Finance Director, he was responsible for the preparation of business plans, budgets and organisational financial statements. He also negotiated with bankers for facilities to finance large development projects and was responsible for a large property portfolio. On his return to Malaysia in 2006 and upon obtaining his audit license, he joined T H Law & Co as a partner. He brings with him experience in external and internal auditing, financial accounting, management consultancy, taxation, due diligence and project implementation. Except for Bio Osmo, Mr Wong is currently not a director of any other public company.

Mr Wong has attended all of the five (5) Board Meetings held during the financial year ended 30 June 2009. 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 offence within the past 10 years.



Encik Auzir bin Mohd Yaacob

Malaysian, aged 57

Non Independent Non Executive Director

Encik Auzir bin Mohd Yaacob was appointed to the Board of Bio Osmo on 16 July 2007. He holds a diploma from the Chartered Institute of Marketing, United Kingdom. He also holds a Master Degree in Business Administration (MBA) 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 targeted at improving the development of rural areas and assisting rural communities, such as the implementation of marketing assistance activities of rubber products for the rural community in Slim River, as well as strategising of development and poverty reduction plans for the state of Perak. He left FELCRA in 1989 to join Perbadanan Nasional Berhad ("PNS"), an institution that aims to develop and increase the size of the Bumiputra participation in the commercial and industrial sectors. Encik Auzir is currently serving on the Board of Directors of PNS.

Encik Auzir has attended four (4) out of five (5) Board Meetings held during the financial year ended 30 June 2009. 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 offence within the past 10 years.

Chairman's Statement



Dear Shareholders,

“ It gives me great pleasure to present the Annual Report for the year 2009 as the Chairman of Bio Osmo Berhad (“Bio Osmo”). I have served on the Board of Directors since the listing of Bio Osmo and this year I was appointed as Chairman in replacement of the outgoing Chairman, Mr. Chong Kim Chan, since September 2009. ”

Operating Background

It has been a cornerstone of Bio Osmo to produce high quality reverse osmosis bottled water through its subsidiary, Amshore Holdings Sdn Bhd (“AMSB”).

AMSB continues with its philosophy centred on three core values – “Quality, Customer Service and Sharing”. This being the cornerstone of AMSB, it has managed to sail through the 2008-2009 economic down-turn that had an effect in the turnover of the business and on its receivables.

Despite this world wide phenomenon, Bio Osmo has survived this difficult period while many have failed.

The Group continues to be vigilant in reviewing new technologies, products and opportunities to expand and increase the business turnover and its profitability.

Chairman's Statement

Review of Operations

Turnover for the year retracted by 42% to RM22,421,545 against RM38,630,172 in the year 2008. The reduction was mainly due to stiffer market competition and price wars among the competitors.

The other cause was the fact the Company was over reliant on a small sales team who decided to move to other competitors, which had a material impact in the sales turnover.

Further, the Management has provided heavily for bad debts that have been in the books, thus causing an impact on the bottom line of the Group which is very visible. This was done as the current Management was of the view that this was prudent and in the best interest of the Group.

Finally, the Group also faced inflationary pressures resulting in higher operational cost compounded by the rise in raw materials and transportation cost, which are most volatile components in a manufacturing business.

Corporate Governance

Our Board recognises the importance of a good governance framework in managing the business and operational activities of the Group. In view of the intended expansion it is also of utmost importance that the Group's internal control system remains reliable and versatile. The need to review the adequacy and integrity of the Group's operating processes and make recommendations on areas for improvement in managing the Group's risks has always been one of our major priorities. We envisage that our internal audit functions will for the time being be outsourced to an external professional firm to leverage on their experience, skills and expertise.

Prospects

I am of the opinion that the Group's worst period is over as the economic turmoil last year has been overcome. Although the Group suffered a "beating", it is always best to be prudent early and make changes as and when required.

The versatility of the Group and its Management Team has proven this by overcoming a major challenge and look towards a greater horizon ahead.

We are proud to announce that AMSB has been awarded the 'Best Water Company' in South East Asia this year by Frost & Sullivan.

The Group is heavily concentrated on increasing sales by attacking niche customers and at the same time expanding the business to other countries. Simultaneously, cost reduction measures are being adopted. However this is limited to operations only as certain external cost cannot be factored such as cost of transportation and raw materials.

The Board of Directors are looking at new businesses that may be viable to expand the current product base and business to ensure the best value for our shareholders.

The Board shall continue to be vigilant in ensuring smooth operations at all levels and to continue to monitor market conditions to sustain a healthy level of profitability.

Corporate Social Responsibilities

We have and continue to recognise the importance of corporate social responsibility in the pursuit of our objectives and we are committed to ensure that all our actions not only benefit our shareholders and our employees but the society and the environment as well. At the moment, the Group does not have any corporate social responsibilities programme but intends to do so in the coming year.

Acknowledgement

On behalf of myself and my fellow Board Members, we would like to take this opportunity to extend our gratitude to the Management, loyal staffs, esteemed shareholders, bankers, customers and suppliers for their continued support and all others who have contributed positively to the Group.

With this, I am sure that the coming year will show improvements and that Bio Osmo will rise to the challenge once again.

Dato' Hamzah bin Mohd Salleh

Independent Non 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 it 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 2009.

(A) DIRECTORS

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

(i) Board Balance

The Board currently comprises four (4) members of whom one (1) 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.

There is a clear division of the roles of the Chairman and the Managing Director and each has clearly accepted divisions of responsibilities. The Chairman is primarily responsible for the effective and efficient conduct and working of the Board whilst the Managing Director oversees the day-to-day management of the Group's business operations and implementation of policies and strategies approved by the Board.

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 5 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 2009, the attendance of the Directors is as follows:-

Director	No. of meetings attended
Dato' Hamzah bin Mohd Salleh	5/5
Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam*	N/A
En. Auzir bin Mohd Yaacob	4/5
Mr. Wong Kok Seong	5/5
Mr. Chong Kim Chan**	5/5
Mr. Leong Choon Meng**	5/5
En. Mustafa bin Ibrahim***	5/5

* Appointed as Non-Independent Non-Executive Director on 20 August 2009 and subsequently redesignated as Executive Director on 28 August 2009

** Resigned as Director on 28 August 2009

*** Resigned as Director on 24 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 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.

During the financial year, members of the Board have attended various training programmes. Conferences and seminars attended by Directors during the financial year are as follows:

Name of Directors	Training attended	Date
Dato' Hamzah Bin Mohd Salleh	• The Non Executive Directors Development Series – Is it worth the Risk? By PWC/SIDC	20 May 2009
	• Directors' training by Archer Consulting Group Sdn Bhd	13 November 2008
Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam	• New Framework for Listing and Equity Fund Raising and Key Changes to the Listing Requirements by MAICSA.	12 August 2009
Mr. Wong Kok Seong	• National seminar on Taxation 2008 by LHDN Malaysia	3 September 2008
	• FRS 136: Impairment of Assets by ACCA	16 October 2008
	• Due diligence audit by MIA	23 October 2008
	• National Accountant Conference 2008 by MIA	25 & 26 November 2008
	• FRS 139: Financial Instruments by MIA	25 March 2009
	• FRS 121: Financial Reporting – Forex by MIA	6 April 2009
	• MASB conference : Accounting challenges in turbulent times by MASB	29 April 2009



Statement on **Corporate Governance**

(A) DIRECTORS (CONT'D)

(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 comprise the following Directors:

Chairman : Dato' Hamzah bin Mohd Salleh

Members : Wong Kok Seong

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

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

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

(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 comprise the following Directors:

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

Details of the Directors' remuneration are disclosed in Note 19 to the financial statements of this Annual Report. The Board opts not to disclose the remuneration of each individual director due to the Company's concerns for the sensitivity and confidentiality of such information. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration is adequately served by the "band disclosure" in accordance with the Listing Requirements.

Number of Directors whose remuneration falls into the following bands:

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

For financial year ended 30 June 2009, 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 19 to 20 of this Annual Report provides an overview on the state of internal controls within the Group throughout the financial year.

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

(iii) Relationship with the Auditors

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

The role and a summary of the activities of the Audit Committee during the year is described in the Audit Committee Report set out on Pages 15 to 18 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 2009, 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) Utilization of Proceeds

For the financial year ended 30 June 2009, an amount of RM 7.213 million has been utilized from the proceeds from the public issue totaling RM 12.213 million. Details of the utilization are as follows:-

	Utilisation as at 30/06/2009 RM'000
Repayment of hire purchase loan	4,000
Expansion of operations	-
Working capital	1,213
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 2009.

(iii) Share Buyback

There were no share buyback transactions involved in the financial year ended 30 June 2009.

(iv) Options, Warrants or Convertible Securities Exercised

The Group and its subsidiaries have not issued any options, warrants or convertible securities in respect of the financial year ended 30 June 2009.

(v) Depository Receipt Programme

The Group and its subsidiaries have not sponsored any Depository Receipt Programme for the financial year ended 30 June 2009.

(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

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.



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 (appointed on 23 October 2008)
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 re-appointment.
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 five (5) meetings during the financial year ended 30 June 2009 and the attendance of each Audit Committee member are as follows:

Members	No. of meetings attended
Mr. Wong Kok Seong	5/5
Dato' Hamzah Bin Mohd Salleh	5/5
Encik Auzir Bin Mohd Yaacob	3/5

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 2009, the cost incurred for internal audit function was RM 11,560. The internal auditor reports to the Audit Committee and carried out the audit reviews in accordance with the internal audit plan. The audit findings and recommendations will be forwarded to the management concerned for attention and necessary action. The Audit Committee reviews and deliberates the internal audit reports and relevant issued presented during the regular Audit Committee meetings.

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

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

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



Statement on **Internal Control**

The Board of Directors of Bio Osmo Berhad is pleased to disclose that this statement is in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the Group's compliance with the Principles and Best Practices relating to internal control as stipulated in the Malaysian Code on Corporate Governance for the financial year ended 30 June 2009.

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 external 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 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;
- Reviewed of the interim and annual financial statements;
- Reviewed 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 programs and tasks to manage the aforementioned and /or eliminate performance gaps;
- Ensured internal audit programs 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 programs, 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

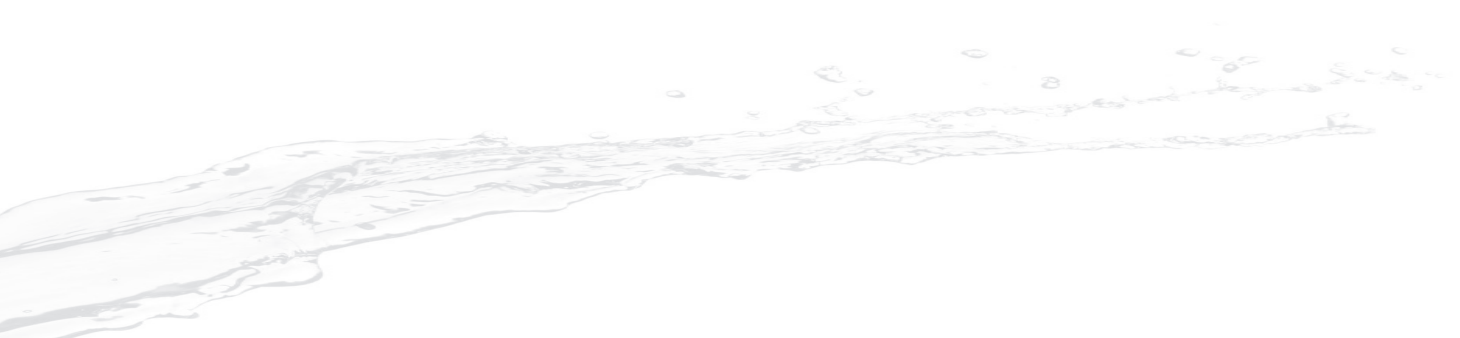
During the financial year ended 30 June 2009, there were no material losses resulting from control failures, breakdowns or weaknesses in the Group's system of internal controls and the Group had continued to take the necessary measures to ensure that the system of internal controls is in place and functions effectively prior to the establishment of the in-house internal audit department.

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



REPORTS AND FINANCIAL STATEMENTS

- 22** Directors' Report
- 25** Statement by Directors
- 25** Statutory Declaration
- 26** Independent Auditor's Report
- 28** Balance Sheets
- 29** Income Statements
- 30** Statements of Changes in Equity
- 31** Consolidated Cash Flow Statement
- 33** Company Cash Flow Statement
- 34** Notes to the Financial Statements



DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2009.

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	29,643,830	1,073,444

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 during the financial year nor 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 Company for the current financial year.

Dividend

During the financial year, a first and final tax exempt dividend of RM0.01 on 200 million ordinary shares of RM0.20 each, amounting to a total dividend of RM2 million in respect of the previous financial year was paid on 10 March 2009.

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.

Issue of Shares and Debentures

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



DIRECTORS' REPORT

Directors

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

Auzir Bin Mohd Yaacob	
Dato' Hamzah Bin Mohd Salleh	
Wong Kok Seong	
Dato' Sri Krishna Kumar A/L Sivasubramaniam	(Appointed on 20.8.2009)
Chong Kim Chan	(Resigned on 28.8.2009)
Leong Choon Meng	(Resigned on 28.8.2009)
Mustafa Bin Ibrahim	(Resigned on 24.8.2009)

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 30.6.2009
	At 1.7.2008	Acquired	Disposed	
Bio Osmo Berhad				
Direct interest				
Chong Kim Chan	15,149,374	-	15,149,300	74
Dato' Hamzah Bin Mohd Salleh	4,865,317	-	1,100,000	3,765,317
Auzir Bin Mohd Yaacob	10,000	-	-	10,000
Wong Kok Seong	10,000	-	-	10,000
Bio Osmo Berhad				
Deemed interest				
Mustafa Bin Ibrahim ¹	31,174,968	-	-	31,174,968

Note:

¹ Deemed interests by virtue of a call option agreement between him and Perbadanan Nasional Berhad.

By virtue of Mustafa Bin Ibrahim indirect interest in the Company, he also deemed to have interest in the shares of all subsidiary companies to the extent the Company has an interest under Section 6A of the Companies' Act, 1965.

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 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 Company and its subsidiary companies 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 Company and its subsidiary companies which have arisen since the end of the financial year.

Significant Events

The significant events are disclosed in Note 28 to the financial statements.

Auditors

The auditors, UHY Diong, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.

DATO' SRI KRISHNA KUMAR A/L
SIVASUBRAMANIAM

DATO' HAMZAH BIN MOHD SALLEH

KUALA LUMPUR

25 SEPTEMBER 2009

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

STATEMENT BY DIRECTORS

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

We, DATO' SRI KRISHNA KUMAR A/L SIVASUBRAMANIAM and DATO' HAMZAH BIN MOHD SALLEH, 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 28 to 57 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2009 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors.

DATO' SRI KRISHNA KUMAR A/L

DATO' HAMZAH BIN MOHD SALLEH

KUALA LUMPUR

25 SEPTEMBER 2009

STATUTORY DECLARATION

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

I, LOO KUAN HEE, being the Officer primarily responsible for the financial management of BIO OSMO BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 28 to 57 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 LOO KUAN HEE at)
KUALA LUMPUR in the Federal)
Territory this 25 September 2009)
)

LOO KUAN HEE

Before me,

ARSHAD ABDULLAH (No. W550)
COMMISSIONER FOR OATHS
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 sheet as at 30 June 2009 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 28 to 57.

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 at 30 June 2009 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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.
- (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 DIONG
Firm Number: AF 1411
Chartered Accountants

TEE GUAN PIAN
Approved Number: 1886/05/10 (J/PH)
Chartered Accountant

KUALA LUMPUR
25 SEPTEMBER 2009



BALANCE SHEETS AS AT 30 JUNE 2009

	Note	Group		Company	
		2009 RM	2008 RM (restated)	2009 RM	2008 RM (restated)
Non-Current Assets					
Property, plant and equipment	3	53,313,630	58,012,693	8,888	-
Investment in subsidiary companies	4	-	-	32,698,198	32,698,198
Other investment	5	3,500,000	3,500,000	-	-
Deferred tax assets	6	-	3,117,000	-	-
		<u>56,813,630</u>	<u>64,629,693</u>	<u>32,707,086</u>	<u>32,698,198</u>
Current Assets					
Inventories	7	1,562,206	4,404,231	-	-
Trade receivables	8	9,616,490	21,841,028	-	-
Other receivables	9	10,373,134	10,312,077	-	-
Tax recoverable		55,264	1,226,797	-	-
Amount owing by subsidiary companies	10	-	-	9,695,151	12,767,075
Fixed deposit with licensed banks	11	652,000	-	-	-
Cash and bank balances		1,647,879	5,000,977	22,043	76,797
		<u>23,906,973</u>	<u>42,785,110</u>	<u>9,717,194</u>	<u>12,843,872</u>
Total Assets		<u>80,720,603</u>	<u>107,414,803</u>	<u>42,424,280</u>	<u>45,542,070</u>
Equity					
Share capital	12	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)/Retained Profit		(19,162,256)	12,481,574	(473,064)	2,600,380
Total Equity		<u>23,691,049</u>	<u>55,334,879</u>	<u>42,380,241</u>	<u>45,453,685</u>
Non-Current Liabilities					
Bank borrowings	13	42,531,364	41,321,297	-	-
Hire purchase payable	14	780,316	1,516,159	-	-
		<u>43,311,680</u>	<u>42,837,456</u>	<u>-</u>	<u>-</u>
Current Liabilities					
Trade payables	15	1,633,800	2,103,575	-	-
Other payables	16	1,581,175	1,378,022	44,039	88,385
Bank borrowings	13	9,778,354	5,103,262	-	-
Hire purchase payables	14	724,545	657,609	-	-
		<u>13,717,874</u>	<u>9,242,468</u>	<u>44,039</u>	<u>88,385</u>
Total Liabilities		<u>57,029,554</u>	<u>52,079,924</u>	<u>44,039</u>	<u>88,385</u>
Total Equity and Liabilities		<u>80,720,603</u>	<u>107,414,803</u>	<u>42,424,280</u>	<u>45,542,070</u>

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

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Group		Company	
		2009 RM	2008 RM (restated)	2009 RM	2008 RM (restated)
Revenue	17	22,421,545	38,630,172	-	3,000,000
Cost of sales		(27,783,314)	(26,307,489)	-	-
Gross (loss)/profit		(5,361,769)	12,322,683	-	3,000,000
Other operating income		629,815	9,708,438	-	57,880
Administrative expenses		(3,972,995)	(3,433,603)	(880,426)	(400,792)
Selling and distribution expenses		(14,303,451)	(3,415,215)	(192,815)	(51,822)
(Loss)/Profit from operations		(23,008,400)	15,182,303	(1,073,241)	2,605,266
Finance costs	18	(3,474,860)	(3,676,843)	-	-
(Loss)/Profit before taxation	19	(26,483,260)	11,505,460	(1,703,241)	2,605,266
Taxation	20	(3,160,570)	981,000	(203)	-
Net (loss)/profit for the financial year		(29,643,830)	12,486,460	(1,073,444)	2,605,266
(Loss)/Earnings per share attributable to the equity holders of the parent (sen)					
Basic	21	(14.8)	7.03		

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Group	Note	Share Capital RM	Share Premium RM	Retained Profit/ (Accumulated Losses) RM	Total RM
At 1 July 2007		2	-	(4,886)	(4,884)
Issuance of shares		39,999,998	4,811,170	-	44,811,168
Listing expenses		-	(1,957,865)	-	(1,957,865)
Net profit for the financial year		-	-	12,486,460	12,486,460
At 30 June 2008		40,000,000	2,853,305	12,481,574	55,334,879
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	22	-	-	(2,000,000)	(2,000,000)
At 30 June 2009		40,000,000	2,853,305	(19,162,256)	23,691,049
Company					
At 1 July 2007		2	-	(4,886)	(4,884)
Issuance of shares		39,999,998	4,811,170	-	44,811,168
Listing expenses		-	(1,957,865)	-	(1,957,865)
Net profit for the financial year					
As previously reported		-	-	(394,734)	(394,734)
Prior year adjustment	29	-	-	3,000,000	3,000,000
As restated		-	-	2,605,266	2,605,266
At 30 June 2008		40,000,000	2,853,305	2,600,380	45,453,685
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	22	-	-	(2,000,000)	(2,000,000)
At 30 June 2009		40,000,000	2,853,305	(473,064)	42,380,241

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 RM	2008 RM
Cash Flows From Operating Activities			
(Loss)/Profit before taxation		(26,483,260)	11,505,460
Adjustments for:			
Allowance for doubtful debts		10,672,826	141,549
Depreciation of property, plant and equipment		6,042,256	5,818,298
Property, plant and equipment written off		75,378	-
Loss on disposal of property, plant and equipment		59,033	-
Unrealised gain on foreign exchange		(151,025)	(192,139)
Interest expense		3,474,860	3,676,843
Interest income		-	(220,377)
Realisation of negative goodwill		-	(8,932,996)
Operating (loss)/profit before working capital changes		(6,309,932)	11,796,638
(Increase)/Decrease in working capital			
Inventories		2,842,025	(1,350,327)
Trade receivables		1,551,712	(10,974,904)
Other receivables		(61,057)	(2,434,886)
Trade payables		(469,775)	(180,712)
Other payables		279,950	(973,904)
		4,142,855	(15,914,733)
Cash used in operations		(2,167,077)	(4,118,095)
Interest received		-	220,377
Interest paid		(3,474,860)	(3,066,791)
Tax paid		(43,570)	(76,797)
Tax refund		1,094,736	-
		(2,423,694)	(2,923,211)
Net cash used in operating activities		(4,590,771)	(7,041,306)
Cash Flows From Investing Activities			
Acquisition of subsidiary company, net of cash inflow	4 (c)	-	10,050,916
Proceed from disposal property, plant and equipment		171,000	-
Purchase of property, plant and equipment	3 (iii)	(1,648,604)	(2,378,961)
Net cash (used in)/generated from investing activities		(1,477,604)	7,671,955

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 RM	2008 RM
Cash Flows From Financing Activities			
Net proceeds from issuance of shares		-	10,255,105
Drawdown of term loan		8,590,400	-
Drawdown of revolving credit		8,892,088	-
Dividend paid		(2,000,000)	-
Repayment of term loan		(7,501,329)	(974,420)
Repayment of hire purchase payables		(668,907)	(5,426,710)
Drawdown of bankers' acceptance		(4,096,000)	511,000
		<hr/>	<hr/>
Net cash generated from financing activities		3,216,252	4,364,975
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(2,852,123)	4,995,624
Effect of exchange rate changes		151,025	5,351
Cash and cash equivalents at beginning of the financial year		5,000,977	2
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial year		2,299,879	5,000,977
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial year comprise:			
Cash and bank balances		1,647,879	5,000,977
Fixed deposit with licensed banks		652,000	-
		<hr/>	<hr/>
		2,299,879	5,000,977
		<hr/>	<hr/>

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

COMPANY CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 RM	2008 RM (Restated)
Cash Flows From Operating Activities			
(Loss)/Profit before taxation		(1,073,241)	2,605,266
Adjustments for:			
Depreciation of property, plant and equipment		401	-
Dividend income		-	(3,000,000)
Interest income		-	(57,880)
Operating loss before working capital changes		(1,072,840)	(452,614)
(Increase)/Decrease in working capital			
Other payables		(44,346)	86,649
Amount owing to/by subsidiary companies		3,071,924	(12,770,225)
		3,027,578	(12,683,576)
Cash generated from/(used in) operations		1,954,738	(13,136,190)
Interest received		-	57,880
Taxation paid		(203)	-
Dividend paid		(2,000,000)	-
Net cash used in operating activities		(45,465)	(13,078,310)
Cash Flows From Investing Activities			
Investment in subsidiary company		-	(100,000)
Purchase of property, plant and equipment	3 (iii)	(9,289)	-
Net cash used in investing activities		(9,289)	(100,000)
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	10,255,105
Dividend received		-	3,000,000
Net cash generated from financing activities		-	13,255,105
Net (decrease)/increase in cash and cash equivalents		(54,754)	76,795
Cash and cash equivalents at beginning of the financial year		76,797	2
Cash and cash equivalents at end of the financial year		22,043	76,797
Cash and cash equivalents at end of the financial year comprise:			
Cash and bank balances		22,043	76,797

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 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.

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 basis except as disclosed in the notes to the financial statements and in compliance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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.

		Effective date for financial periods beginning on or after
FRS 8	Operating Segments	1 July 2009
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendment to FRS 7	Financial Instruments: Disclosures	1 January 2010
Amendment to FRS 8	Operating Segments	1 January 2010
Amendment to FRS 101	Presentation of Financial Statements	1 January 2010
Amendment to FRS 107	Statement of Cash Flows	1 January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 110	Events after the Reporting Period	1 January 2010
Amendment to FRS 116	Property, Plant and Equipment	1 January 2010
Amendment to FRS 117	Leases	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
Amendment to FRS 118 Revenue	1 January 2010
Amendment to FRS 119 Employee Benefits	1 January 2010
Amendment to FRS 120 Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendment to FRS 123 Borrowing Costs	1 January 2010
Amendment to FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 127 Consolidated and Separate Financial Statements	1 January 2010
Amendment to FRS 128 Investments in Associates	1 January 2010
Amendment to FRS 129 Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS 131 Interests in Joint Venture	1 January 2010
Amendment to FRS 132 Financial Instruments: Presentation	1 January 2010
Amendment to FRS 134 Interim Financial Statements	1 January 2010
Amendment to FRS 136 Impairment of assets	1 January 2010
Amendment to FRS 138 Intangible Assets	1 January 2010
Amendment to FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 140 Investment Property	1 January 2010

(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.

(ii) FRS 8 Operating Segments

This new standard replaces FRS 1142004 Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of accounting (cont'd)

(iii) 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.

(iv) 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.

FRS 4, Amendment to FRS 1, Amendment to FRS 2, Amendment to FRS 120 and Amendment to FRS 129 are not relevant to the Group's operations.

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

The initial applications of the above applicable new FRSs and Amendments to FRSs are not expected to have any material impact on the financial statements of the Group.

(b) Basis of consolidation

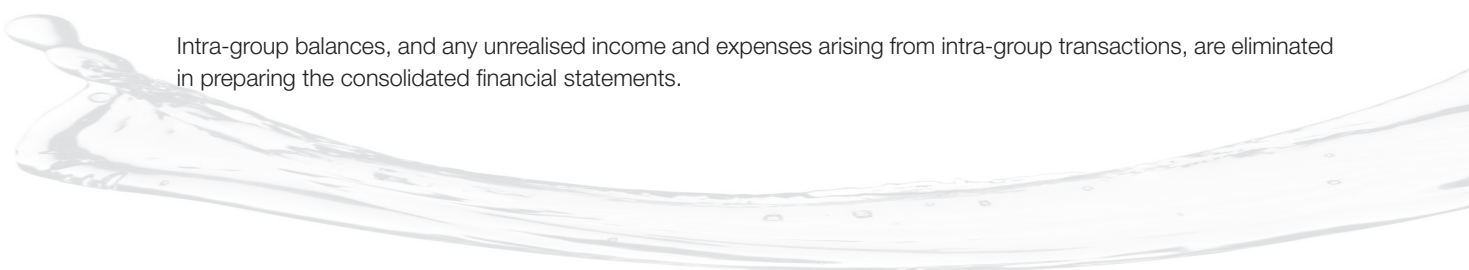
The consolidated financial statements include the financial statements of the Group and its subsidiary companies from the date that control effectively commences until the date that control effectively ceases through equity accounting which are made up to the end of the financial year.

(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(f). 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)

(b) 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(f).

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.

(c) 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(l).

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

(i) Recognition and measurement (cont'd)

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

(ii) Subsequent costs

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

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

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.

(d) Construction work-in-progress

Construction work-in-progress consists of expenditure incurred on construction of property, plant and equipment which takes a substantial period of time to be ready for their intended use.

Construction work-in-progress is stated at cost during the period of construction. No depreciation is provided on construction work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

(e) 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(f).

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

NOTES TO THE FINANCIAL STATEMENTS

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

(f) Goodwill arising on consolidation

Goodwill acquired in a business combination is initially measured at cost, represents the excess of the purchase price over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

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(l).

(g) 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(l).

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

(h) 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.

(i) 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.

(j) 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.

(k) Hire purchase

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 leases, 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 lease, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. 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 lease 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 assets acquired under hire purchase 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)

(l) 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. For goodwill that has indefinite useful lives, 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 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.

Impairment loss on goodwill is not reversed in a subsequent period. 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 profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(m) 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.

(n) Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS

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

(n) Foreign currencies (cont'd)

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:

	2009 RM	2008 RM
1 US Dollar (USD)	3.519	3.266
1 Singapore Dollar (SGD)	2.431	2.406

(o) Revenue recognition

(i) Goods sold and services rendered

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

(ii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(q) 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.

(r) 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.

(s) 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.

(t) 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

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 1.7.2008	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 30.6.2009	4,237,715	13,090,568	51,617,516	1,481,517	1,323,143	71,750,459
Accumulated depreciation						
At 1.7.2008	-	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 30.6.2009	-	1,108,432	16,056,354	573,039	699,004	18,436,829
Carrying amount						
At 30.6.2009	4,237,715	11,982,136	35,561,162	908,478	624,139	53,313,630

Group	Freehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings and renovation RM	Construction work in progress RM	Total RM
Cost						
At 1.7.2007	-	-	-	-	-	-
Acquisition of subsidiary companies	4,137,715	12,775,568	43,222,390	1,337,977	6,734,000	68,207,650
Additions	100,000	-	2,264,805	94,156	-	2,458,961
Transfer	-	-	6,734,000	-	(6,734,000)	-
At 30.6.2008	4,237,715	12,775,568	52,221,195	1,432,133	-	70,666,611
Accumulated depreciation						
At 1.7.2007	-	-	-	-	-	-
Acquisition of subsidiary companies	-	360,981	6,257,080	217,559	-	6,835,620
Charge for the financial year	-	369,789	5,275,828	172,681	-	5,818,298
At 30.6.2008	-	730,770	11,532,908	390,240	-	12,653,918
Carrying amount						
At 30.6.2008	4,237,715	12,044,798	40,688,287	1,041,893	-	58,012,693

NOTES TO THE FINANCIAL STATEMENTS

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

Company	Office equipment RM	Total RM
Cost		
At 1.7.2008	-	-
Additions	9,289	9,289
	<hr/>	<hr/>
At 30.6.2009	9,289	9,289
	<hr/>	<hr/>
Accumulated depreciation		
At 1.7.2008	-	-
Charge for the financial year	401	401
	<hr/>	<hr/>
At 30.6.2009	401	401
	<hr/>	<hr/>
Carrying amount		
At 30.6.2009	8,888	8,888
	<hr/>	<hr/>

- (i) 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 RM396,997 and RM2,486,400 respectively (2008: RM651,992 and RM2,797,200 respectively).
- (ii) The freehold land and building of the Group with carrying amount of RM3,317,416 and RM10,681,826 respectively (2008: RM3,317,416 and RM10,917,888 respectively) have been pledged to licensed bank as security for credit facilities granted to the Group.
- (iii) The aggregate additional cost for the property, plant and equipment of the Group and of the Company during the financial year under hire purchase and cash payment are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Aggregate costs	1,648,604	2,458,961	9,289	-
Less: Hire purchase financing	-	(80,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash payment	1,648,604	2,378,961	9,289	-
	<hr/>	<hr/>	<hr/>	<hr/>

4. Investment in Subsidiary Companies

- (i) Investment in subsidiary companies

	Company	
	2009 RM	2008 RM
Unquoted shares, at cost In Malaysia	32,698,198	32,698,198
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

4. Investment in Subsidiary Companies (cont'd)

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

Name of company	Country of incorporation	Effective interest		Principal activity
		2009 %	2008 %	
Amshore Holdings Sdn. Bhd.	Malaysia	100	100	Processing, manufacturing and selling of drinking water
Morning Valley Sdn. Bhd.	Malaysia	100	100	Dormant

(iii) Acquisition of a subsidiary company

In prior year, the Company acquired Amshore Holdings Sdn. Bhd. ("AHSB") and Morning Valley Sdn. Bhd. ("MVSB") and the effect of the acquisitions are as follows:

(a) The effect of acquisition of AHSB that took place on 16 July 2007 on the financial results of the Group in prior year are as follows:

	2008 RM
Revenue	38,630,172
Cost of sales	(26,307,489)
Gross profit	12,322,683
Other operating income	717,562
Administrative expenses	(3,006,533)
Selling and distribution expenses	(3,363,393)
Profit from operations	6,670,319
Finance costs	(3,697,084)
Profit before taxation	2,973,235
Taxation	981,000
Profit for the financial year	3,954,235

(b) The effect of acquisition of AHSB that took place on 16 July 2007 on the financial position of the Group at the end of the prior year was as follows:-

	2008 RM
Property, plant and equipment	58,012,693
Other investment	3,500,000
Deferred taxation	3,117,000
Inventories	4,404,231
Trade receivables	21,841,028
Other receivables, deposits and prepayments	7,312,077
Tax recoverable	1,150,000
Cash and bank balances	4,901,014
Trade payables	(2,103,575)
Other payables and accruals	(1,288,637)
Amount due to holding company	(6,762,075)
Term loan	(42,328,559)
Finance payables	(2,173,768)
Short term borrowing	(4,096,000)
Increase in Group's net assets	45,485,429

NOTES TO THE FINANCIAL STATEMENTS

4. Investment in Subsidiary Companies (cont'd)

(iii) Acquisition of a subsidiary company (cont'd)

(c) The details of net assets acquired and cash flows as at that date of acquisition arising from the acquisition of AHSB that took place on 16 July 2007 are as follows:

	2008
	RM
Property, plant and equipment	61,372,030
Other investment	3,500,000
Deferred taxation	2,136,000
Inventories	3,053,904
Trade receivables	10,819,268
Other receivables, deposits and prepayments	7,877,191
Amount due from holding company	3,150
Tax recoverable	1,150,000
Cash and bank balances	10,050,916
Trade payables	(1,674,235)
Other payables and accruals	(2,348,573)
Term loan	(43,302,979)
Hire purchase payables	(7,520,478)
Short term borrowings	(3,585,000)
	<hr/>
Net assets acquired	41,531,194
Reserve arising on acquisition	(8,932,996)
	<hr/>
Purchase consideration	32,598,198
Less: Cash and bank balances acquired	(10,050,916)
	<hr/>
	22,547,282
Less: Issuance of shares for acquisition of subsidiary company	(32,598,198)
	<hr/>
Net cash generated from acquisition of subsidiary company	<u>(10,050,916)</u>

For the purpose of accounting, the transactions involving the acquisition of AHSB is deemed to have completed on 30 June 2007.

(d) The acquisition of MVSB does not have material impact on the financial positions and results of the Group.

5. Other Investments

	Group	
	2009	2008
	RM	RM
Unquoted bond, at cost	3,500,000	3,500,000
	<hr/>	<hr/>

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.

NOTES TO THE FINANCIAL STATEMENTS

5. Other Investments (cont'd)

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.

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	
	2009	2008
	RM	RM
At 1 July	(3,117,000)	(2,136,000)
Recognised in income statement	3,117,000	(981,000)
	<hr/>	<hr/>
At 30 June	-	(3,117,000)
	<hr/>	<hr/>
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	4,492,000	4,353,000
Deferred tax assets	(4,492,000)	(7,470,000)
	<hr/>	<hr/>
	-	(3,117,000)
	<hr/>	<hr/>

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

Deferred tax liabilities of the Group:

	Accelerated capital	Total
	allowances	RM
	RM	RM
At 1 July 2008	4,353,000	4,353,000
Recognised in income statement	139,000	139,000
	<hr/>	<hr/>
At 30 June 2009	4,492,000	4,492,000
	<hr/>	<hr/>
At 1 July 2007	3,106,000	3,106,000
Recognised in income statement	1,247,000	1,247,000
	<hr/>	<hr/>
At 30 June 2008	4,353,000	4,353,000
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

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

Deferred tax assets of the Group:-

	Allowance for doubtful debts RM	Unutilised capital allowance RM	Unutilised reinvestment allowance RM	Total RM
At 1 July 2008	(37,000)	(292,000)	(7,141,000)	(7,470,000)
Recognised in income statement	(2,666,600)	292,000	5,352,600	2,978,000
At 30 June 2009	(2,703,600)	-	(1,788,400)	(4,492,000)
At 1 July 2007	-	-	(5,242,000)	(5,242,000)
Recognised in income statement	(37,000)	(292,000)	(1,899,000)	(2,228,000)
At 30 June 2008	(37,000)	(292,000)	(7,141,000)	(7,470,000)

The allowances are available indefinitely for offset against future taxable profit of the Group.

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

	Group 2009 RM	Group 2008 RM
Unused tax losses	5,098,000	-
Unutilised capital allowance	8,416,000	-
Unutilised reinvestment allowance	19,072,000	-
	32,586,000	-

7. Inventories

	Group 2009 RM	Group 2008 RM
Raw materials	1,316,052	3,542,114
Finished goods	246,154	862,117
	1,562,206	4,404,231

8. Trade Receivables

	Group 2009 RM	Group 2008 RM
Trade receivables	20,430,865	21,982,577
Less : Allowance for doubtful debts	(10,814,375)	(141,549)
	9,616,490	21,841,028

The Group's normal trade credit terms ranges from 7 to 60 days (2008: 7 to 90 days). Other credit terms are assessed and approved on a case by case basis.

NOTES TO THE FINANCIAL STATEMENTS

8. Trade Receivables (cont'd)

The foreign currency exposure profile is as follows:-

	Group	
	2009	2008
	RM	RM
Singapore Dollar (SGD)	3,704,412	2,915,039

9. Other Receivables

	Group	
	2009	2008
	RM	RM
Other receivables	19,800	16,294
Deposits	10,286,200	10,057,692
Prepayments	67,134	238,091
	10,373,134	10,312,077

10. Amount Owing by Subsidiary Companies

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

11. Fixed Deposit with Licensed Bank

Included in fixed deposits of the Group is an amount of RM340,000 which have been pledged to licensed banks as security for bank guarantee.

The interest rate and maturities of deposits is at 2.50% (2008: Nil) per annum and 365 days (2008: Nil) respectively.

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

12. Share Capital

	Group/Company	
	2009	2008
	RM	RM
Ordinary shares of RM0.20 each		
Authorised		
At 1 July	100,000,000	100,000
Created during the financial year	-	99,900,000
	100,000,000	100,000,000
At 30 June	100,000,000	100,000,000
Issued and fully paid		
At 1 July	40,000,000	2
Issued during the financial year	-	39,999,998
	40,000,000	40,000,000
At 30 June	40,000,000	40,000,000

NOTES TO THE FINANCIAL STATEMENTS

13. Bank Borrowings

	Group	
	2009 RM	2008 RM
Unsecured		
Term loan	35,000,000	35,000,000
Secured		
Term loan	8,417,630	7,328,559
Revolving credit	8,892,088	-
Bankers' acceptance	-	4,096,000
Total borrowings	17,309,718	11,424,559
	52,309,718	46,424,559
Analysed as:		
Repayable within twelve months	9,778,354	5,103,262
Repayable after twelve months	42,531,364	41,321,297
	52,309,718	46,424,559
Maturity of borrowings is as follows:		
Within one year	9,778,354	5,103,262
Between one and two year	890,990	6,321,297
Between two and five year	38,141,743	35,000,000
More than five year	3,498,631	-
	52,309,718	46,424,559

The unsecured term loan is in connection with the Primary Collateralised Loan Obligation Programme 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 loan and its fixed interest of 7.05% per annum thereon are repayable in one lump sum on the repayment date.

The tenor of this facility is for 5 years which will mature in 2011.

The secured term loan are 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 subsidiaries company's assets.

The bankers' acceptances and revolving credit are 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 asset of the subsidiary company's assets.

NOTES TO THE FINANCIAL STATEMENTS

13. Bank Borrowings (cont'd)

Range of interest rates during the financial year is as follows:

	Group	
	2009 %	2008 %
Bankers' acceptance	–	3.66 – 3.77
Revolving credits	8.50 – 8.75	–
Term loans	4.30 – 7.75	4.30 – 7.75

14. Hire Purchase Payables

	Group	
	2009 RM	2008 RM
(a) Future minimum payments		
Payable within one year	801,138	777,528
Payable between one and five years	815,498	1,619,646
	<hr/>	<hr/>
	1,616,636	2,397,174
Less : Future finance charges	(111,775)	(223,406)
	<hr/>	<hr/>
	1,504,861	2,173,768
	<hr/>	<hr/>
(b) Present value of hire purchase liabilities		
Repayable within one year	724,545	657,609
Repayable between one and five years	780,316	1,516,159
	<hr/>	<hr/>
	1,504,861	2,173,768
	<hr/>	<hr/>
Analysed as:		
Repayable within twelve months	724,545	657,609
Repayable after twelve months	780,316	1,516,159
	<hr/>	<hr/>
	1,504,861	2,173,768
	<hr/>	<hr/>

The hire purchase payables bore interest at rates range from 2.30% to 3.90% (2008: 2.30% to 3.90%) per annum.

15. Trade Payables

The normal trade credit term granted to the Group ranges from 7 to 90 days (2008: 7 to 90 days).

16. Other Payables

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Other payables 233,020	155,106	19,538	–	
Accruals	1,348,155	1,222,916	24,501	88,385
	<hr/>	<hr/>	<hr/>	<hr/>
	1,581,175	1,378,022	44,039	88,385
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

17. Revenue

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM (restated)
Sales of goods	22,421,545	38,630,172	-	-
Dividend income	-	-	-	3,000,000
	<u>22,421,545</u>	<u>38,630,172</u>	<u>-</u>	<u>3,000,000</u>

18. Finance Costs

	Group	
	2009 RM	2008 RM
Interest expenses on:		
Bankers' acceptance	123,767	200,052
Trust receipt	4,573	-
Hire purchase	112,432	457,008
Term loans	645,782	423,013
Collateral loan obligations	2,588,306	2,596,770
	<u>3,474,860</u>	<u>3,676,843</u>

19. (Loss)/Profit before Taxation

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Auditors' remuneration				
- Current year	32,000	36,000	6,000	12,000
- Under provision in prior year	2,000	-	-	-
Allowance for doubtful debts	10,672,826	141,549	-	-
Directors' remuneration				
- fee	48,000	36,000	48,000	36,000
- salaries	552,000	411,048	420,000	160,048
- defined contribution fund	71,160	47,532	56,760	25,332
- other emoluments	122,860	20,668	122,240	55,620
- estimated money value of benefit-in-kind	-	16,283	-	-
Depreciation of property, plant and equipment	6,042,256	5,818,298	401	-
Incorporation fee	2,625	-	-	-
Loss on disposal of property, plant and equipment	59,033	-	-	-
Property, plant and equipment written off	75,378	-	-	-
Rental of factory	93,600	84,300	-	-
Rental of hostel	2,760	4,160	-	-
Interest income -	(220,377)	-	(57,880)	-
Realisation of negative goodwill	-	(8,932,996)	-	-
Gain on foreign exchange				
- Realised	(215,766)	(223,099)	-	-
- Unrealised	(151,025)	(192,139)	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS

20. Taxation

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Tax expense for the financial year:				
Current tax provision	-	-	-	-
Under provision in prior years	43,570	-	203	-
	43,570	-	203	-
Deferred tax:				
Relating to origination and reversal of temporary differences	3,117,000	(1,450,000)	-	-
Under provision in prior year	-	469,000	-	-
	3,117,000	(981,000)	-	-
	3,160,570	(981,000)	203	-

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

	Group	
	2009 RM	2008 RM
(Loss)/Profit before taxation	(26,483,260)	11,505,460
Taxation at statutory tax rate of 25% (2008: 26%)	(6,620,815)	2,991,420
Income not subject to tax	(97,487)	(2,444,242)
Expenses not deductible for tax purposes	1,076,012	230,822
Deferred tax assets not recognised during the financial year	5,537,852	(2,228,000)
Reversal of deferred tax recognised during the financial year	2,978,000	-
Under provision of taxation in prior years	43,570	-
Under provision of deferred taxation in prior years	-	469,000
Permanent loss not recognised during the financial year	243,438	-
Tax expense for the financial year	3,160,570	(981,000)

	Company	
	2009 RM	2008 RM (restated)
(Loss)/Profit before taxation	(1,073,241)	2,605,266
Taxation at statutory tax rate of 25% (2008: 26%)	(268,310)	677,369
Expenses not deductible for tax purposes	46,414	(677,369)
Permanent loss not recognised during the financial year	221,896	-
Under provision of taxation in prior years	203	-
Tax expense for the financial year	203	-

NOTES TO THE FINANCIAL STATEMENTS

20. Taxation (cont'd)

Current income tax is calculated at the statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the financial year.

In the previous financial year, pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act 1967, the statutory income tax rate is 20% for the first RM500,000 and 26% on the balance of chargeable income for small and medium enterprises with paid-up capital of RM2,500,000 and below.

However, pursuant to Paragraph 2B, Schedule 1 of the Income tax Act 1967 which was introduced with effect from the year of assessment 2009, the subsidiary companies no longer qualify for the above preferential rate.

The Group has unused tax losses, unutilised capital allowances and unutilised reinvestment allowances amounting to RM5,098,000, RM8,416,000 and RM26,226,000 respectively (2008: RMNil, RM1,081,500 and RM26,448,500 respectively) available for carry forward to set-off against future taxable profits. The said amount however is subject to approval by the tax authorities.

21. (Loss)/Earnings per Share

The (loss)/earnings per share has been calculated based on the consolidated net (loss)/profit for the financial year attributable to the equity holders of the parent of RM29,643,830 (2008: RM12,486,460) and the weighted average number of ordinary shares in issue during the financial year of 200,000,000 (2008: 177,544,616).

22. Dividends

	Group/Company	
	2009	2008
	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	-

23. Staff Costs

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Staff costs (excluding Directors)	2,324,913	2,299,836	60,540	26,708

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 RM186,118 and RM6,420 (2008 : RM200,273 and RM2,643) respectively.



NOTES TO THE FINANCIAL STATEMENTS

24. 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:

	2009 RM	2008 RM (restated)
Company		
Subsidiary companies:		
Dividend income received/receivable	-	3,000,000
Settlement of liabilities on behalf of subsidiary companies	132,462	1,015,762
Settlement of liabilities by the Company on behalf of subsidiary companies	50,538	7,232,837
	<u> </u>	<u> </u>

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 2009 is disclosed in Notes 10 to the financial statements.
- (c) Information regarding compensation of key management personnel is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Short-term employee benefits	1,154,125	916,381	527,240	247,048
Defined contribution plan	123,656	103,428	56,760	25,332
Estimate money value of benefit in kind	-	16,283	-	4,620
	<u>1,277,781</u>	<u>1,036,092</u>	<u>584,000</u>	<u>277,000</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.

25. Segment Information

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

26. Commitments

	Group	
	2009 RM	2008 RM
Authorised and contracted for:		
Acquisition of machinery	2,620,000	2,620,000
Acquisition of land	-	17,000,000
	<u>2,620,000</u>	<u>19,620,000</u>

NOTES TO THE FINANCIAL STATEMENTS

27. 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.

(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:

	2009		2008	
	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				
Term loan	7,531,364	4,957,080	6,321,297	6,321,297
Hire purchase payables	780,316	718,149	1,516,159	1,351,574

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.

NOTES TO THE FINANCIAL STATEMENTS

28. Significant Events

During the financial year, the significant events took place for one of its subsidiary companies, namely, Morning Valley Sdn. Bhd. (MVSB) is as follows:

On 13 June 2008, MVSB had entered into a conditional sale and purchase agreement ("SPA") with Damansara Residence Sdn. Bhd. ("DRSB") to acquire a piece of freehold land for a total of cash consideration of RM20,000,000 in which a deposit of RM3 million has been paid accordingly.

However, the conditions precedent to the Proposed Acquisition as stipulated in the SPA have not been fulfilled or satisfied by the expiry date of the SPA on 12 March 2009. Both MVSB and DRSB have mutually agreed not to further extend the completion date of the SPA. Accordingly, the SPA has lapsed on 12 March 2009 and shall be rendered null and void.

The deposit was pending refund.

29. Prior Year Adjustment

In prior year, a wholly owned subsidiary company, namely, Amshore Holdings Sdn. Bhd. declared an interim tax exempt dividend on 10,738,602 ordinary shares of RM0.28 amounting to RM3,000,000. However, the dividend has not been recognised in the account previously.

In accordance to FRS108 Accounting Policies, Changes in Accounting Estimates and Errors, the dividend is recognised retrospectively and certain comparative figures has been restated as disclosed in Note 30 to the financial statements.

30. Comparative Information

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

The comparative figures of the income statement, statement of changes in equity and cash flow statement of the Group are for the financial period from 16 July 2007 to 30 June 2008. As they reflect the results for less than one year, they are not comparable to the current financial year's results.

Certain comparative figures have been restated/reclassified as follow:

	As previously stated RM	Reclassification RM	As restated RM
Group			
Income statement			
Administrative expenses	(3,411,740)	(21,863)	(3,433,603)
Finance costs	(3,698,706)	21,863	(3,676,843)
Company			
Balance Sheet			
Amount owing by subsidiary companies	9,767,075	3,000,000	12,767,075
Retained Earnings	(399,620)	3,000,000	2,600,380
Income statement			
Revenue	-	3,000,000	3,000,000
Administrative expenses	(399,170)	(1,622)	(400,792)
Finance costs	(1,622)	1,622	-
Cash Flow Statement			
Net cash used in operating activities	(10,078,310)	(3,000,000)	(13,078,310)
Net cash generated from financing activities	10,255,105	3,000,000	13,255,105

31. Date of Authorisation for Issue

The financial statements of the Company for the financial year ended 30 June 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 25 September 2009.

List of Properties as at 30 June 2009

Location	Description	Existing Use	Tenure / Expiry of Lease	Approx age of Building	Unit/Acreage	Major encumbrances	Net book value as at 30/06/2008 (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 3 years	256220 sq ft / 84550 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No.1502/2009	13,859
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 13 years	13455 sq ft / 5400 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No.19885/2009	1,095
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 13 years	20139 sq ft / 4800 sq ft	Charged to Bank Kerjasama Rakyat Malaysia Berhad Charge presentation No. 19885/2009	346
Geran 119491 Lot 8352, Mukim Minyak Beku, Daerah Batu Pahat, Johor.							
Amshore H.S. (M) 1293 MLO 8855, Mukim Tanjong Sembrong, Daerah Baatu Pahat,Johor.	Industrial Land	Vacant Land	Freehold	Not applicable	2.4281 hectares	Nil	501
Amshore GM 2656 Lot No.10643, Mukim Tanjong Sembrong, 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.

Analysis of shareholdings as at 22 October 2009

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
294	100 – 1,000	250,100	0.13
972	1,001 - 10,000	5,428,400	2.71
382	10,001 to 100,000	14,790,250	7.40
93	100,001 to less than 5% of issued shares	87,964,248	43.98
3	5% and above of issued shares	91,566,624	45.78
1,751		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. Lembaga Tabung Haji	6,518,000	3.26
9. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hamzah Bin Mohd Salleh	3,755,317	1.88
10. Liang Shanshan	3,597,700	1.80
11. Chang, Chun-Pei	2,035,100	1.02
12. Tan Teck Boo	1,930,300	0.97

Analysis of shareholdings as at 22 October 2009

THIRTY LARGEST SHAREHOLDERS (CONT'D)

Name of shareholder	Number of shares	Percentage of shares
13. Ong Teck Wan	1,790,000	0.90
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 Choi Khow	1,200,000	0.60
17. Tan Ah Piew	1,150,000	0.57
18. Cynthia Mary Lim Kim Ean	1,100,000	0.55
19. Chai Mooi Chong	1,010,000	0.51
20. Ng Bok Wah	1,000,000	0.50
21. Rescom International Limited	1,000,000	0.50
22. Chok Ming Hua	1,000,000	0.50
23. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kuo Yin Ho	761,400	0.38
24. Goh Sin Tien	700,000	0.35
25. Eddie Yeo Kia Loke	685,500	0.34
26. Affin Nominees (Tempatan) Sdn Bhd Eassetmanagement Sdn Bhd for Tan Lip Lin	623,000	0.31
27. Tan Ah Ba @ Tan Boon Leng	550,000	0.28
28. Yong Seit Leng	550,000	0.28
29. Phoon Kam Lean	531,000	0.27
30. Yeoh Keat Hoe	500,000	0.25



Analysis of shareholdings as at 22 October 2009

SUBSTANTIAL SHAREHOLDERS

According to the Register of Depository as at 22 October 2009, 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 22 OCTOBER 2009

No. Director	(DIRECT INTEREST)		(DEEMED INTEREST)	
	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares
1. DATO' HAMZAH BIN MOHD SALLEH	3,765,317	1.88	0	0.00
2. DATUK SERI KRISHNA KUMAR A/L DATO' SIVASUBRAMANIAM	0	0.00	50,000,000*	25.00
3. AUZIR BIN MOHD YAACOB	10,000	0.01	0	0.00
4. WONG KOK SEONG	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 Third Annual General Meeting of Bio Osmo Berhad will be held at Emerald Room, Level 2, Hotel Katerina, No. 8, Jalan Zabadah, 83000 Batu Pahat, Johor Darul Takzim, Malaysia on Tuesday, 15 December 2009 at 9.00 a.m. for the following purposes: -

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2009 together with the Directors' and Auditors' Report thereon. **RESOLUTION 1**
2. To approve the payment of Directors' Remuneration of RM 647,000 for the financial year ending 30 June 2009. **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: -
 - Encik Auzir Bin Mohd Yaacob - Article 127 **RESOLUTION 3**
 - Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam - Article 132 **RESOLUTION 4**
4. To re-appoint Messrs UHY Diong who retire as Auditors of the Company and authorise Directors to fix their remuneration. **RESOLUTION 5**

SPECIAL BUSINESS

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

ORDINARY RESOLUTION

AUTHORITY TO ALLOT SHARES - SECTION 132D

“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.”

RESOLUTION 6

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

BY ORDER OF THE BOARD

LEONG SIEW FOONG (f)

MAICSA NO. 7007572

Company Secretary

Johor Bahru

Date: 24 November 2009



Notice of Annual General Meeting

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: -

The Proposed 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.



Statement Accompanying Notice of Annual General Meeting

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

Details of individuals who are standing for election as Director: -

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

Malaysian, aged 39

Executive Director

Datuk Seri Krishna Kumar, J.P was appointed to the Board of Bio Osmo on 20 August 2009 as a Non Independent Non Executive Director. He was subsequently redesignated as Executive Director on 28 August 2009.

Datuk Seri is an advocate and solicitor by profession. He graduated from University College of Wales, Aberystwyth, United Kingdom. After graduating with an honours degree, Datuk Seri started his professional career as a hotelier and thereafter started his career as an advocate and solicitor with Sri Ram & Co before setting up his own practice under the name and style of M/S Krish Maniam & Co, Advocates and Solicitors in 1996.

Datuk Seri was the former Executive Director of Kuantan Flour Mills Berhad and other companies in Malaysia and Overseas.

Datuk Seri 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 offence within the past 10 years.



**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 **Third Annual General Meeting** of the Company to be held at **Emerald Room, Level 2, Hotel Katerina, No. 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim, Malaysia** on **Tuesday, 15 December 2009 at 9.00 a.m.** and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

The proportion of *my/our proxies are as follows:

(This paragraph should be completed only when two proxies are appointed)

First Proxy (1) _____%

Second Proxy (2) _____%

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

No.	RESOLUTIONS	FOR	AGAINST
1.	Receive the Audited Financial Statements for the year ended 30 June 2009 together with the Reports of the Directors and Auditors.		
2.	Approve the payment of Directors' Remuneration of RM 647,000 for the financial year ended 30 June 2009.		
Re-election of Directors retiring according to the Company's Articles of Association: -			
3.	- En Auzir Bin Mohd Yaacob - Article 127		
4.	- Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam - Article 132		
5.	Re-appointment of Messrs UHY Diong as Auditors		
6.	Authority to allot shares – Section 132D.		

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 _____ 2009

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
