



BIO OSMO BHD
(Company No.740838-A)
(Incorporated in Malaysia)

NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 3RD QUARTER ENDED 31 MARCH 2009

A1. BASIS OF PREPARATION

The financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and Chapter 9 Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2008.

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2008 which includes the adoption of new/revised FRS effective for the financial period beginning on or after 01 Jan 2006 and are relevant to the Group.

A2. AUDIT QUALIFICATION

The preceding year's annual audited financial statements of the Group were not subject to any qualification.

A3. SEASONAL AND CYCLICAL FACTORS

The business operations of the Group are subject to the forces of supply and demand, and thus could display cyclical trends.

A4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material items of an unusual nature and amount for the current quarter and financial year under review.

A5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current quarter and financial year as compared to those used in the previous financial year.

A6. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares for the third quarter ended 31 March 2009.

A7. DIVIDEND PAID

A first and final single-tier tax exempt dividend amounting to RM 2 million was paid in the current quarter in respect of the previous financial year.



NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 3RD QUARTER ENDED 31 MARCH 2009

A8. SEGMENTAL INFORMATION

Segmental information for the Group by geographical segment is presented as follows:

	3 Months ended 31/03/2009 RM'000
Geographical segments	
Revenue	
Export - Singapore	2,483
Local	2,774
Total revenue of the Group	5,257

Disclosure on segmental information by the Group business segment is not presented as the Group is engaged in one type of business activity.

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group did not carry out any revaluation of its property, plant and equipment in the current financial period. The values of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements.

A10. MATERIAL SUBSEQUENT EVENTS

There were no material events between the financial year ended 30 June 2008 and the date of this report, which is likely to substantially affect the current quarter and financial year results under review.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and assets as at the date of this report.

A13 CAPITAL COMMITMENT

The material capital commitment for capital expenditure contracted for by the Group is as follow:

	RM'000
Acquisition of Land	0
Machinery and equipment for mineral water plant	2,620
	2,620

As at the date of this announcement, the Conditions Precedent pertaining to the Proposed Acquisition as set out in the SPA (ii) to (v) of B8(i) below 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 and the capital commitment of RM 17 million previously shown has ceased altogether.



NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 3RD QUARTER ENDED 31 MARCH 2009

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

The Group recorded a turnover of RM 5.257 million for the 3rd quarter ended 31 March 2009 from the sales of bottled drinking water as compared to RM 9.176 million for the corresponding quarter last year. The decrease was mainly due to the general slow down in the economic environment, rising costs and stiffer competition from other market players. As a result, the Group incurred a loss before taxation of RM 4.538 million as compared to a profit before tax of RM 0.479 million for the same quarter last year.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER

The Group recorded a turnover of RM 5.257 million for the current quarter as compared to RM 5.544 million for the previous quarter. The decrease in turnover is mainly due to the general slow down in the economic environment, rising costs and stiffer competition from other market players for the quarter under review.

The Group incurred a loss before taxation of RM 4.538 million for the current quarter as compared to a loss before tax of RM 3.454 million for the 2nd quarter. The group's performance are affected tremendously due to the factors mentioned above.

B3. CURRENT PROSPECTS

Due to the recent global financial meltdown, the Board of Directors will cautiously monitor the economic environment that we operate in and will work towards managing and mitigating the risks associated with it.

B4. PROFIT FORECAST

Not applicable as no profit forecast for the period under review was required.

B5. TAXATION

	Current Quarter 31/03/2009 RM'000	Cumulative Current Year To Date 31/03/2009 RM'000
Income Tax		
- current	63	63
Deferred tax assets	-	-
	<u>63</u>	<u>63</u>

B6. PROFIT/(LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sale of unquoted investments and properties for the current financial period.



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B7. QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the current financial period under review.

B8(i). STATUS OF CORPORATE PROPOSALS ANNOUNCED

On 13 June 2006, the Group announced that Morning Valley Sdn Bhd ("MVSb"), a wholly-owned subsidiary company of Bio Osmo, had on even date entered into a conditional sale and purchase agreement with Damansara Residences Sdn Bhd ("DRSB") to acquire a piece of freehold land held under GM556 for Lot No. 504 in Mukim Ulu Kelang, Place of 8th Mile Ulu Kelang, District of Gombak, State of Selangor measuring approximately 3.111 hectares ("Land") for a cash consideration of RM20,000,000 ("Proposed Acquisition").

The Proposed Acquisition is subject to the following Conditions Precedent being fulfilled:

- (i) The Foreign Investment Committee for the Proposed Acquisition which was obtained on 29 August 2008;
- (ii) The shareholders of Bio Osmo at an extraordinary general meeting to be convened for the Proposed Acquisition;
- (iii) The Majlis Perbandaran Ampang Jaya ("MPAJ") for the development of high end residential development by DRSB and compliance by DRSB with all the terms and conditions imposed by MPAJ (including the payment of the conversion premium, administration fees, charges or costs);
- (iv) The procurement of a loan from any bank or financial institution by MVSb to finance the Balance Purchase consideration; and
- (v) The negotiation, finalisation and execution of the Development Agreement.

As at the date of this announcement, the Conditions Precedent pertaining to the Proposed Acquisition as set out in the SPA (ii) to (v) above 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.

Apart from the RM 3 million deposit paid, which is pending refund from DRSB pursuant to the SPA, the termination of the SPA is not expected to have any material financial impact on the Group

B8(ii). STATUS OF UTILISATION OF PROCEEDS RAISED FROM ANY CORPORATE PROPOSAL

The Company raised a total gross proceeds of RM12,212,970.00 from the Public Issue. The utilisation of proceeds as at 31 March 2009 are as follows:

	Proposed Utilisation RM'000	Utilisation as at 31/03/2009 RM'000	Balance RM'000
Repayment of hire purchase loan	4,000	4,000	0
Expansion of operations	5,000	0	★ 5,000
Working capital	1,213	1,213	0
Defray estimated listing expenses	2,000	2,000	0
	12,213	7,213	5,000

- ★ Following the company's listing in December 2007, the company have not been able to procure the financing required for the construction and set-up of the proposed new mineral water manufacturing plant.

Therefore, SC has been informed of the change in the proposed utilisation of the IPO Proceeds from the construction and set-up of a new mineral water manufacturing plant to working capital requirement of our existing core business of manufacturing reverse osmosis water via a letter to SC dated 11 March 2009.



NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 3RD QUARTER ENDED 31 MARCH 2009

B9. GROUP BORROWINGS

The Group borrowings as at 31 March 2009 are as follows:-

	RM'000
Short term borrowings	
- Unsecured	-
- Secured	5,366
	5,366
Long term borrowings	
- Unsecured	35,000
- Secured	8,335
	43,335
Total	48,701

All borrowings are denominated in Ringgit Malaysia.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at the date of this report.

B11. MATERIAL LITIGATION

There were no material litigation involving the Group as at the date of this report.

B12. DIVIDEND PAYABLE

A first and final single-tier tax exempt dividend amounting to RM 2 million was declared and paid in respect of the previous financial year.

B13. EARNINGS PER SHARE (EPS)

	Current Year Quarter 31/03/2009	Cumulative Current Year To Date 31/03/2009
Net loss attributable to ordinary shareholders (RM'000)	(4,601)	(12,032)
Number of ordinary shares in issue ('000)	200,000	200,000
Basic EPS (sen)	(2.30)	(6.02)
Fully diluted EPS (sen)	(2.30)	(6.02)

By order of the Board

Chong Kim Chan
 Chairman
 26 May 2009